THE REGIONAL MUNICIPALITY OF PEEL

GROWTH MANAGEMENT COMMITTEE

AGENDA **GMC - 2/2015**

DATE:	**April 30, 2015**
TIME:	**11:00 AM – 1:00 PM**
LOCATION:	**Regional Council Chamber - 5th Floor** **10 Peel Centre Drive, Suite A** **Brampton**
MEMBERS:	**B. Crombie; F. Dale; J. Downey; N. Iannicca; L. Jeffrey; E. Moore; B. Shaughnessy; A. Thompson; J. Tovey**

Chaired by J. Tovey or Vice-Chair A. Thompson

1. DECLARATIONS OF CONFLICTS OF INTEREST

2. APPROVAL OF AGENDA

3. DELEGATIONS

4. REPORTS

4.1. Growing Where We Invest – Report on the Region of Peel Growth Management Workshop #4 (For information)

Presentation by Arvin Prasad, Director, Integrated Planning Division Corporate Services

4.2. Costs/Benefits/Risks of Growth to 2041 (Oral)

Presentation by Steve VanOfwegen, Chief Financial Officer and Commissioner of Finance, Region of Peel

4.3. 2015 Development Charges Background Study - Preliminary Findings and Policy Considerations

Presentation by Bruce Taylor, Manager, Financial Policy and Development Financing

5. COMMUNICATIONS

6. IN CAMERA MATTERS

7. OTHER BUSINESS

8. NEXT MEETING

Thursday, September 17, 2015, 9:30 a.m. – 11:00 a.m.
Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

9. ADJOURNMENT

Region of Peel
Working for you

REPORT
Meeting Date: 2015-04-30
Growth Management Committee

For Information

DATE:	April 22, 2015
REPORT TITLE:	**GROWING WHERE WE INVEST - REPORT ON THE REGION OF PEEL GROWTH MANAGEMENT WORKSHOP #4**
FROM:	Lorraine Graham-Watson, Commissioner of Corporate Services

OBJECTIVE

To provide an update on the fourth Growth Management Workshop held on March 5, 2015, entitled 'Growing Where We Invest – Region of Peel Growth Management Workshop #4'.

REPORT HIGHLIGHTS

- A Growth Management Workshop focusing on planning for employment was held on March 5, 2015. Approximately 100 representatives attended including representatives of the development industry, politicians and public sector staff.
- Discussion at the workshop focused on general themes around: information communication technology; shifts in employment to knowledge-based work, high-skilled work, and work from home; employment forecasting, and; risks associated with financing growth and public transit
- Some of the highlights of information shared during the workshop are as follows:
  - In Peel Region, there were about 644,000 jobs in 2011, below the Growth Plan forecasted 720,000 jobs.
  - Job growth forecasts are not being realized due in part to an economic shift away from traditional manufacturing.
  - One new job is being generated for every four new residents, down from one new job for every two new residents.
  - Building infrastructure, on the basis of Growth Plan employment forecasts, is resulting in significant debt for the Region of Peel.
  - Peel's investment in growth related infrastructure from 2002-2014 totals about $2.8 billion. To finance these growth-related infrastructure investments, Peel has already issued debt totaling $1.3 billion.
  - Peel's 2012 to 2031 growth related infrastructure plan requires $6.7 billion in infrastructure investments, including financing costs, primarily in the areas of Water, Waste Water and Regional Roads, to support Places to Grow forecasts.

DISCUSSION

1. Background

In response to Council's request to better understand the planning and financial implications of growth to 2041, the Region of Peel established a Growth Management Program.

The Growth Management Program has four distinct project areas: 1) the Cost and Benefits of Growth to 2041 study; 2) Financial Plan/Financing Options review; 3) Updates to the DC By-Law in 2015 and 2017, and; 4) developing Regional Official Plan (ROP) policies. The aim of the Growth Management Program is to develop a robust Regional Official Plan underpinned by a sustainable financial plan and servicing plan that takes into consideration the risks, costs and benefits of managing growth.

The cost of the infrastructure required to service growth is a key issue. Specifically, infrastructure investment requirements are beginning to outpace the ability of the Region of Peel to pay. The requirement to designate and service growth areas comes from population and employment forecasts contained in the Province's Places to Grow "Growth Plan." These are entrenched in municipal Official Plans. The Region invests in both residential and non-residential servicing infrastructure based on these forecasts – sometimes by issuing debt. It recoups these costs through future development charges and improvements to the property tax base arising from development. However in terms of non-residential forecasts, actual employment growth is not keeping pace and there is the potential for overinvestment in infrastructure as a result.

According to results from the National Household Survey, in 2011 Peel Region had about 644,000 jobs, as opposed to the Growth Plan forecast of 720,000 jobs. This shortfall in jobs is actually common across the GTHA, most acutely outside of the City of Toronto. Further, with structural economic change in the Region of Peel, as evidenced by the decline in the manufacturing sector of almost 20,000 jobs between 2006 and 2011, there is concern that the Places to Grow 2031 and 2041 forecast employment numbers will not materialize.

Between 2002 and 2013, non-residential development achieved 54% of forecast activity while revenues achieved 39% of forecast. More recently, between 2013 and 2014 non-residential development activity has been even less positive, coming in at about 30% of forecast. Peel's investment in growth related infrastructure from 2002-2014 totals about $2.8 billion. To finance these growth-related infrastructure investments, Peel has already issued debt totaling $1.3 billion. Peel's 2012 to 2031 growth related infrastructure plan requires $6.7 billion in infrastructure investments, including financing costs, primarily in the areas of Water, Waste Water and Regional Roads, to support Places to Grow forecasts.

To build knowledge around changes in the jobs market and economy in Peel, the Region hosted a workshop on March 5, 2015 entitled 'Growing Where We Invest – Region of Peel Growth Management Workshop #4'. Its purpose was to explore the current and potential future trends in employment to help the Region achieve sustainable financing and sound growth management. The objective was to gain input and advice from stakeholders on options and approaches to employment-related planning. The workshop's key question was: What is the current and potential future role of employment lands in helping Peel Region to achieve sustainable financing and sound growth management?

Valuable input was received and is summarized in the sections ahead.

2. Workshop Proceedings

The workshop was well-attended with representation from the development industry, academia, consultants, as well as Provincial, Regional, and area municipal staff (Appendix I contains the summary report). The morning began with opening remarks, followed by a context presentation, and two keynotes highlighting economic trends and opportunities for Peel Region and non-residential building development trends (further details can be at http://www.peelregion.ca/planning/officialplan/focus-growth-management.htm). This was followed by a panel in the afternoon where area municipal economic development staff shared their experiences about the local employment market, and the Region's Commissioner of Finance and CFO highlighted the financial risks to the Region as a result of the changing employment landscape.

3. Workshop Discussion Highlights

Some of the highlights of the day are as follows:

a) General Trends

- By 2041 the Region's population will grow to almost 2 million people with almost 1 million jobs. Significant job creation will be needed to build on 2011's 644,000 jobs.
- Peel Region has been required to build infrastructure based on Provincially-forecasted employment projections which are not being realized. The financing of this infrastructure has required the issuance of debt.
- Much of Peel's employment shortfall is attributed to a decline in manufacturing. Additionally, the rate of jobs growth to population growth has declined considerably from one new job for every two people to one new job for every four new people.
- Key global megatrends were identified: 1) short to medium term economic volatility due to global economic trends; 2) demographic and cultural shifts changing the nature of work; 3) new landscape emerging for Canadian exporters; 4) unlikely return to the pre-recession status quo; 5) significant competitive advantages for Peel to exploit with the right infrastructure, and; 6) policy responses required by all three levels of government.

b) Building Trends

- New office supply is locating in downtown Toronto. This is attributed to transit connectivity and high concentration of residential development in the downtown core. It will be essential for the Region of Peel to identify and seize any opportunities that exist within the limited office supply pipeline. Improved transit could help to attract office development.
- New office supply trends such as declining office space per worker and above average office vacancy have a negative impact on Peel Region Development Charge (DC) revenue generation. With new employment locating in existing offices, DC revenues from new development are not being realized.
- New industrial supply trends have seen the average annual supply of new industrial space in the Greater Toronto Area (GTA) decline from 9 million square feet annually in the period 2000-2008 to 3 million square feet annually from 2009-onwards. This was attributed to several factors: the recession, continuing job losses in the manufacturing sector, and a higher valuation in the Canadian dollar.
- A unique industrial supply trend in the Region of Peel is the development of industrial buildings with higher ceilings (>24') and larger square footage (200,000 to 500,000 square feet). Developers are looking for large land parcels for warehousing and distribution centres. These distribution centres typically have lower employment

density compared to manufacturing and are being built larger and taller than in the past. Developers also often renovate or expand existing buildings often precluding the requirement to pay development charges. These trends limit new DC revenue generation.

c) Economic Experiences and Opportunities

- With about 2,290 acres of employment lands left to develop, the City of Mississauga is looking to build out corporate nodes that will require better transit infrastructure.
- The rate of manufacturing growth in the Town of Caledon has slowed. As a result, Caledon is pursuing economic diversification. The municipality is looking at focusing future growth in research and development, and also increased availability of broadband infrastructure.
- The City of Brampton has focused on high-tech assembly and provides tailored services that meet the needs of industry in order to retain employers. Brampton seeks to provide solutions to keep existing production, research and development, packaging, and logistics in the City, rather than having existing firms outsource, or pursue new firms that may not locate in Brampton.
- Municipalities need to improve their overall information communication technology (ICT) sector strategy. ICT investment is key to advanced manufacturing and new employment. ICT should be considered a basic public utility like potable water/waste water or electricity. The Town of Olds, Alberta is an example of how this can be done well.
- The cost of energy should be of concern to Peel Region. Compared to global competitors, Ontario experiences inefficient energy use and higher prices.
- Although the manufacturing sector will not likely employ large numbers of people due to advances in technology, Peel Region should plan to accommodate new, advanced-manufacturing industries.

d) Financial Considerations for Region of Peel

- Region of Peel requires a new infrastructure financing model to help manage the costs of investments that support continued growth and prosperity.
- Between 2002 and 2013 non-residential development achieved 54% of forecast activity while revenues only achieved 39% of forecast. More recently, between 2013 and 2014 non-residential development achieved 30% of forecast.
- To finance growth-related infrastructure investments prior to the collection of development charges, Peel has already issued debt totaling $1.3 billion.
- Peel’s 2012-2031 growth-related infrastructure plan requires $6.7 billion in infrastructure investments to support Places to Grow population and employment forecasts.
- There is a need to reflect structural economic changes in the Region’s growth plan and to build the right infrastructure at the right time.

CONCLUSION

Some general themes from the discussion at the Growth Management Workshop are:

- Forecasting employment and employment lands is now seen to be more complex.
- There is a permanent shift to knowledge-based work and high-skilled advanced manufacturing, *e.g.* robotics.
- Traditional manufacturing jobs are lost to lower wage countries which we cannot, and should not, compete to get back.
- Peel has experienced an expansion in workers working from home, at no fixed address, and in precarious employment.
- Employment growth now often occurs without an associated increase in square footage of floor space.
- Jobs are being created within existing office and manufacturing buildings with reduced demand for new supply.
- Large employment lands investment is more likely to occur when a municipality maintains large contiguous blocks of land for employment purposes.
- There is a need to improve transportation near employment lands. The Hurontario Light Rail Transit (LRT) is important for attracting office development and to support mobility in the urbanized parts of the Region.
- With the changing jobs market, there is increased risk to the Region of Peel's ability to pay for infrastructure that supports current employment forecasts under existing financing approaches.

Workshop discussion and input received will be incorporated into ongoing and future work undertaken by Peel Region.

L. Graham-Watson

Lorraine Graham-Watson, Commissioner of Corporate Services

Approved for Submission:

David Szwarc

D. Szwarc, Chief Administrative Officer

APPENDICES

1. Appendix I - Hardy Stevenson and Associates: Workshop Summary Report

For further information regarding this report, please contact Arvin Prasad, Director Integrated Planning, extension 4251, Arvin.prasad@peelregion.ca.

Authored By: Indro Bhattacharyya

Growing Where We Invest

Region of Peel Growth Management Workshop #4

Workshop Summary Report

Region of Peel Working for you

HARDY STEVENSON AND ASSOCIATES

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First Draft Submitted: Tuesday, March 10, 2015
Final Draft Submitted: Monday, April 7, 2015

Contents

1.0 Introduction

On Thursday, March 5th, 2014 the Region of Peel hosted the '*Growing Where We Invest – Region of Peel Growth Management Workshop #4'* at the Courtyard Marriot in Brampton. This workshop was specifically focused on employment trends in the Region. The Workshop ran from 10:00 am until 3:30 pm, with three presentations in the morning, two of which were followed by a facilitated Question and Answer discussion session. A panel discussion occurred in the afternoon, followed by a facilitated Question and Answer discussion session. The agenda and a summary of recommendations and outcomes as a result of the workshop occur below.

Growth Management Workshop Agenda

Date Thursday March 5th, 2015

Venue Courtyard by Marriot, Brampton - Windsor Ballroom A & B
90 Biscayne Cres. Brampton ON L6W 4S1 (Highway 410 & Steeles Ave.)

Objective To discuss the Region's employment trends in the context of the Region's Growth Management Program.

	Time	Item	Speaker
1.	10:00am-10:30am	**Registration**	
2.	10:30am-10:40am	Workshop Opening including Review of the Day, Highlights and Introductions of Upcoming Speakers	Dave Hardy, Facilitator *Principal,* *Hardy Stevenson and Associates Limited*
3.	10:40am-10:50am	Welcoming Remarks and Introduction	Councillor Jim Tovey *Ward 1, City of Mississauga and Chair of Peel's Growth Management Committee*
4.	10:50am-11:10am	Context Presentation	Arvin Prasad *Director, Integrated Planning Division, Region of Peel*
5.	11:10am-11:15am	Introduction of Speakers and Format	Dave Hardy, Facilitator
6.	11:15am-11:50am	Economic Challenges and Opportunities for Southwestern Ontario and the GTA	Dr. Matthew Mendelsohn *Director, The Mowat Centre* Dr. Mike Moffatt *Chief Economist, The Mowat Centre*
7.	11:50am-12:00pm	Question Period	Dave Hardy, Facilitator
8.	12:00pm-12:10pm	Peel's Non-Residential Development Trends	Andrew Browning *Vice President, Cushman & Wakefield*
9.	12:10pm-12:30pm	Question Period	Dave Hardy, Facilitator
10.	12:30pm-1:30pm	**Lunch & Networking**	

11.	1:30pm-2:00pm	Municipal Perspectives on the Changing Economy	Susan Amring *Director, Economic Development Office* *City of Mississauga* Norm Lingard *Manager, Economic Development* *Town of Caledon* Sohail Saeed *Director, Economic Development & Tourism, City of Brampton* Stephen VanOfwegen *Chief Financial Officer &* *Commissioner of Finance, Region of Peel*
12.	2:00pm-3:00pm	Facilitated Question Period	Dave Hardy, Facilitator
13.	3:00pm-3:30pm	Conclusions: Wrap-Up Summary and Next Steps	Dave Hardy, Facilitator

2.0 Purpose of Workshop

Amendment 2 of the Growth Plan for the Greater Golden Horseshoe forecasts that Peel Region will grow to 1.97 million people and 970,000 jobs by 2041. To address the new forecasts and prepare for the new Regional Official Plan (ROP), it is essential for Region of Peel leadership and staff to consider the costs and benefits associated with growth. With continued strong immigration, higher fertility rates, and longer life expectancy, the Region expects to realize its current population forecasts although the employment forecasts of almost a million jobs by 2041 does not currently seem realistic.

While the Region is still creating jobs coming out of the recession, Peel's employment in 2011 was approximately 86,000 jobs below what was forecast by the Province in the Growth Plan. Much of this employment shortfall is attributed to the decline in manufacturing. The ratio of job growth to population growth has also declined from one job per two people in the 1972 to 1981 period to one job per four people in the 2007 to 2011 period.

The Growth Management Program component of the ROP Review will allow the Region to sustainably finance and manage infrastructure required for growth such as transportation, water and wastewater, health and human services, while ensuring environmental sustainability.

At the *Growing Where We Invest – Region of Peel Growth Management Workshop #3* on September 5th 2014, participants stated that having a discussion focused on employment would be valuable to the overall conversation of Sustainable Financing of Growth. Consequently, the purpose of the Growth Management Workshop #4 was to review the Region's employment market and non-residential building space trends, and consider how this may impact the sustainable financing of growth.

The key question explored in the workshop is: *What is the current and potential future role of employment lands in helping Peel Region to achieve sustainable financing and sound growth management?*

Additional questions include:

- → *What are our challenges in meeting growth forecasts and how are these challenges being addressed?*
- → *What are the larger global trends that need to be taken into account and what are the implications of these trends for the Peel Region?*
- → *When we refer to employment lands, what is actually happening on the ground today and what are the trends?*
- → *How successful have we been and how likely are we to be successful in the future in attracting jobs to Peel Region?*

3.0 Opening Speaker Presentations

Please refer to http://www.peelregion.ca/planning/officialplan/focus-growth-management.htm for the full presentations.

3.1 Councillor Jim Tovey – Welcome Remarks and Introductions

Councillor Jim Tovey welcomed participants and provided an overview about why the Region of Peel is engaging in a conversation about the contribution of employment to sustainable finance. He stated that at Workshop #3, participants raised many questions about non-residential development, the state of jobs in Peel, and whether we need to rethink how we plan for sustainable financing based on these issues. He stressed the importance of gathering input and feedback from those present at the workshop to help inform the Region's decision-making process.

Councillor Tovey stated the purpose of the Workshop is to hear how the Region should move forward to ensure that financing of growth is sustainable. Given that by 2041 the Region's population will grow to almost 2 million people, significant job creation will be needed to build on the existing 644,000 jobs today. Continued investment in infrastructure and services is needed and residents must be able to earn a living for their families. Solutions to sharing the risks toward sustainable financing of growth are needed. Specifically, Councillor Tovey framed the workshop by identifying three key areas of exploration and discussion:

1. What might the economic future for Peel look like?
2. What lessons can we learn from non-residential building trends?
3. What is happening across the Region's municipalities in Mississauga, Brampton and Caledon?

3.2 Arvin Prasad – Context Presentation

Arvin Prasad presented the context in terms of the challenges Peel Region is currently experiencing. He pointed to the drivers of growth, and to gaps that need to be addressed, with regards to addressing employment growth forecasts and the development charges (DCs) not generating anticipated revenue. Non-Residential development in Peel Region has not generated the level of DCs the Region anticipated collecting to service the debt on infrastructure investments that the Region has made. He stated that this needs to be addressed in order to finance sustainable growth as the Region has to plan according to Provincial projections in Places to Grow.

Mr. Prasad stated that Peel Region is not realizing the job growth that was forecast for 2011 by the Province, even though the Region of Peel was required by the Province to plan for infrastructure based on the assumption that these job numbers would be realised. He pointed to questions the Region could ask. Specifically, should there be residential and non-residential development in new greenfield areas, or in the south, or both? Peel Region has studied 15 designated new development areas both in Greenfield and intensification situations and concluded that new development in, or near, built-up areas uses existing water and waste water infrastructure more effectively and thus costs less than development in new greenfield areas especially when considering life cycle costs of such infrastructure. It is more cost-effective to locate new development in existing areas or as close as possible to existing infrastructure. He stated that there is also a significant transportation investment associated with growth as growth will bring demands for transit and roads.

Mr. Prasad concluded by stating that a Growth Management Program has been established with the intended outcome of developing a robust Regional Official Plan that is supported by sustainable finance and servicing. Achieving sustainable finance may involve the future use of front end financing to transfer risk.

3.3 Dr. Matthew Mendelsohn and Dr. Mike Moffat – Economic Challenges and Opportunities for Southwestern Ontario and the GTA

Dr. Matthew Mendelsohn and Dr. Mike Moffat presented recent statistical information and analysis on the impact of global economic trends on both the Ontario economy and trends more localized in Peel Region. Key global megatrends were identified: 1) short to medium term economic volatility; 2) demographic and cultural shifts changing the nature of work; 3) new landscape emerging for Canadian exporters; 4) unlikely return to the pre-recession status quo; 5) significant competitive advantages for Peel to exploit with the right infrastructure, and; 6) policy responses required by all three levels of government. They presented several consideration for the Region of Peel when looking to leverage its competitive advantages: 1) consider Peel as an export hub; 2) focus on strategic sustainable infrastructure; 3) better data collection; 4) expand broadband, and; 5) support the growing number of precarious workers. They stated that traditional manufacturing is not coming back to Peel Region and other parts of the GTA.

3.4 Andrew Browning – Peel's Non-Residential Development Trends

Andrew Browning provided an overview of the real estate trends and experiences of office development across the Greater Toronto Area (GTA) and Peel Region. He stated, with the shift in office supply moving to downtown Toronto, it will be essential for the Region of Peel to identify and seize any opportunities that exist within the limited office supply pipeline. Other office supply trends are also likely impacting Development Charge (DC) revenue generation: 1) declining office space per worker, and; 2) Peel's large office concentrations have above average vacancy. These trends likely reflect poor office employment growth and likely negatively impact DC revenue collection as new employment locating in existing offices does not generate DCs.

Mr. Browning also examined the industrial market. He noted that the average annual supply of new industrial space in the GTA declined from 9 million square feet annually in the period 200-2008 to 3 million square feet of new supply annually from 2009 onwards. This was attributed to several factors including the recession, continuing job losses in the manufacturing sector, and a higher valuation in the Canadian dollar versus the American dollar. He said, unique to Peel Region is a trend to the development of industrial buildings with higher ceilings (>24') and larger square footage (200,000 to 500,000 square feet). Developers are looking for large land parcels and warehousing and distribution centres typically have lower employment density compared to manufacturing. Developers also often renovate or expand existing buildings, to meet their needs, resulting in no DC revenue generation. Further, as DCs are collected for floor area and not cubic volume, DC revenue for newer buildings is restrained.

4.0 Question and Answer Period

Question/Comment 1:

As the economy changes, how can we shift the use of buildings or sites that were specifically built for manufacturing purposes to buildings that can be used for something else?

Response: We should not give up completely on manufacturing; however, this sector will not be employing significant numbers of people as a result of advancements in technology. Advanced manufacturing is different than traditional manufacturing. There is incredible potential for repurposing of large manufacturing sites, depending on former use, future intended use, location, etc. The focus should be on ensuring that residents have opportunities to work, live and play within their community.

One potential issue to consider, however, is the cost of energy. Largely compared to global competitors, Ontario experiences inefficient energy use.

Question/Comment 2:

What should the Region be exploring in terms of supporting technology industries and the power requirements associated with that industry?

Response: Alongside the decline in traditional manufacturing, energy demand has decreased significantly. Moreover, Ontario's focus has more recently been on demand management and conservation. As such, projections estimate that energy use will not increase significantly enough to make an impact, due to the use of smart meters and other demand management technology. Most of the technology industry does not use as much energy as the manufacturing sector, with the exception of data storage which is significant.

Question/Comment 3:

Are there parallels with the technology sector today as there were at the dawn of large scale phone and power line infrastructure development? Will it be necessary, as it has been in the past, to transfer responsibility out of private sector hands into government control with regards to ICT development?

Response: Olds, Alberta displays how this can be done well. Smaller municipalities should improve their overall strategy in this sector. The essential feature is to continually have the dialogue and respond to trends and needs. Provincial and federal governments need to continue to hear from municipal leaders.

Question/Comment 4:

We heard from the real estate expert that we have growth in warehousing space. If future employment will be in the tech industry, are we looking for an increase in industrial space or should the focus be on office space?

Response: From a real estate perspective, goods are being delivered from a warehouse directly to residential consumers utilizing offsite storage and somewhat by-passing retailers. This is a technological change based on internet shopping affecting the use of space. While employment density is reduced, the requirement for warehouse space, and thus employment land supply, still remains.

Question/Comment 5:

There is a need to focus more on leveraging the competitive advantages we have as a Region, and explore the implications if we 'don't do' this.

Question/Comment 6:

The Region of Peel is currently facing considerable challenges with development not keeping pace with projections, and after listening to the presentations, the global market is only becoming more and more competitive. We need to find real solutions very quickly in order to generate enough revenue.

Question/Comment 7:

The impact of the rising costs of DCs has not yet been fully understood. It is positive to see all of the municipalities represented here today as the solution could be found in the redistribution of the income model for the entire Region of Peel.

Question/Comment 8:

What are the potential benefits of transferring the risk of not obtaining revenue from DCs to the private sector (or other funders), for example, to the Ontario Teacher's Pension Plan?

Response: This opportunity has potential and there are global pools of private capital that are ready to invest in local infrastructure.

5.0 Panelist Speaker Presentations – Municipal Perspectives on the Changing Economy

Each panelist and expert in the area of economic development provided an overview of the success and challenges faced by their respective municipalities and outlined their strategies as an economic development office to address some of these challenges.

5.1 Susan Amring – Mississauga

Susan Amring provided an overview of the specific employment trends and role of Economic Development within Mississauga. Mississauga employs approximately 417,000 people and represents the 2nd largest office market in the GTA. The challenge Mississauga faces is that they have more jobs than their labour pool; therefore, they are a net importer of labour. Mississauga's approach is to target specific sectors and focus on leveraging the competitive advantages of the municipality. An example of this success has been the retention of Mitsubishi Heavy Industries, part of Bombardier's supply chain. There are increasing trends to attract high skilled jobs, specifically in automation. With only 2290 acres of employment lands left to develop, Mississauga is looking to build out corporate nodes which will require better transit infrastructure. Mississauga is also focused on working with the Province around youth employment and identifying solutions to assist companies to retain and attract more youth.

5.2 Norm Lingard– Caledon

Norm Lingard provided an overview of the specific employment trends and role of Economic Development within Caledon. Manufacturing continues to be the largest employer in Caledon, however, the rate of growth of manufacturing in Caledon has slowed. Caledon is also focusing on the diversification of the local economy. Caledon has experienced a large growth in the convention and hotel industries, and a rapid increase in industrial floor space, largely as a result of land available for development and outdoor storage. The municipality is looking at growth in Research and Development, and also increased availability of broadband infrastructure, as areas of future focus.

5.3 Sohail Saeed – Brampton

Sohail Saeed provided an overview of specific employment trends and the role of economic development within Brampton. The median age of the population in Brampton is 34.7 years old. Thus the younger workforce is a key area of focus for employment growth in Brampton. The municipality is diverse and increasingly connected to the global economy. Brampton has focused on high-tech assembly and tries to provide tailored services that meet the needs of industry in order to retain employers. Specifically, Brampton seeks to provide solutions to keep existing production, research and development, packaging, logistics, *etc.* in the city, rather than companies having to partially outsource services or to pursue new companies that may or may not locate in Brampton.

5.4 Stephen VanOfwegen – Region of Peel

Stephen VanOfwegen provided an overview of the specific employment trends within the Region of Peel as a whole. Peel's Council has the following financial principles:

1. Ensure the capital plan is sustainable.
2. Users pay where appropriate.
3. Work with Area Municipalities to support the economic viability of the community.

There is an imminent need to reflect the changing economy in the Region's growth plan and to build the right infrastructure at the right time. Peel's 2012-2031 growth related infrastructure plan requires $6.7 billion in infrastructure investments including financing costs, primarily in the areas of water, waste water and regional roads, to support Places to Grow population and employment forecasts. Currently, there is a cash flow risk in the way DCs are collected and the implications of this are heightened in part by the lack of new job creation since the recession and resulting non-residential development activity. Over the past decade, residential DC revenues have achieved approximately 75% of forecast. Similarly, between 2002 and 2013 Non-residential development activity has achieved 54% of forecast while revenues achieved 39% of forecast. More recently, between 2013 and3 to 2014 non-residential development activity has been less positive, coming in at about 30% of forecast. This is largely the result of two key factors. First, the form of residential growth which has not matched Peel's estimates for residential composition and second, the transition periods included with each DC by-law update.

While focusing on employment growth is essential, a focus on population growth is also needed at the Regional level. The Region of Peel will be reviewing the DC By-law in the summer of 2015 in order to review assumptions for residential development to better predict the form of future residential development. Looking beyond the 2015 DC by-law update, solutions will require a review of current assumptions, for example, Floor Space per Worker (FSW), Places to Grow forecasts, a review of infrastructure servicing plans, and alternative proxies to recover costs for servicing employment lands.

6.0 Question and Answer Period

The following are participant comments that emerged during the question and answer session.

Question/Comment 9:

The Province of Ontario needs to delink residential forecasts from employment lands forecasts. A shift is needed to look at employment output per square foot rather than jobs per hectare. However, there is still an emphasis needed on people living and working in one city. In addition, the methodology used at the provincial level to assess employment land designations needs to be revised.

Question/Comment 10:

The fragmentation of existing employment lands is an issue that needs to be addressed. The model the Region is using to assess DC charges is antiquated. Fragmented lands make it difficult for new non-residential developments, especially in warehousing, etc. Enhanced transit is also needed to support the employment sector.

Question/Comment 11:

How could the highway development proposal (GTA West) going through Caledon contribute to employment lands?

Response: Currently, planning in Caledon is affected by the GTA West Corridor. The areas adjacent to the future GTA West Highway could be an employment generator and is a great opportunity from an economic development perspective.

Question/Comment 12:

There is a current need in Mississauga to address the scale at which resources are provided to smaller businesses to help them thrive and develop into medium and large sized businesses. Business creation and entrepreneurship is something we're great at. Helping business grow into something self-sustaining and medium-sized is something at which we are bad. In addition, resources support could have a great impact on the number of young people who choose to stay in the local area to live and work.

Response: Mississauga is also involved in the ONE network (Ontario Network of Entrepreneurs), assisting entrepreneurs in the start-up phase of their companies.

Question/Comment 13:

Implementing mass transit in Greenfield space should be considered in moving people around and accessing employment. In addition, there are larger issues to consider here that are not being addressed, and issues of debt at the Regional level should be looked at on a more holistic level.

Question/Comment 14:

Ultimately, DCs cannot be used as the only revenue generator. We need to shift the focus to looking at the overall benefit of new growth to the GDP as a whole and recover certain DC charges from the general tax base as it benefits everyone. The gross floor area for working at home is paid by non-residential DCs, but we may need to examine funding through the tax base, etc. Need to be mindful that charges on development don't price non-residential developments out to other areas.

Question/Comment 15:

One of the largest challenges we face with regards to employment as a Region is the transportation of people (origin vs. destination patterns). Perhaps by increasing the employment areas in Caledon, we would see less congestion moving south overall.

Question/Comment 16:

Continuing to get senior levels of government to support ongoing growth and development in the municipalities that are the drivers of the national economy is of key importance. There will be a joint report from the planning departments of the Region of Peel and the GTA to bring some of the significant issues to the attention of the Provincial government with the intention of seeking collaborative solutions.

Question/Comment 17:

While the global trends are evident, we require a made in Peel solution to be sustainable.

Question/Comment 18:

Higher modes of transportation are the missing links in Mississauga and Brampton.

Question/Comment 18:

Orlando Corporation submitted a formal memo summarizing recommendations around the cost and scope of growth related infrastructure.

7.0 Wrap-Up

7.1 Summary

Over the course of the day, there were a number of areas where Workshop presenters and participants overlapped in their observations. The following is a summary of final comments and workshop issues.

The Region of Peel is not alone in having to address the consequences of the failure to achieve forecast employment. Except for the City of Toronto, other parts of the Greater Toronto and Hamilton Area (GTHA) and other parts of Ontario have experienced the same significant shortfall. Population growth forecasts, however, have occurred with greater accuracy. The Places to Grow employment forecasts could not account for the recession and other global economic forces and as a result, the forecasts appear to have significantly overestimated jobs numbers in the GTHA. As a result, this has impacted revenues realized from DCs to finance the infrastructure that was built for these jobs.

Global, Canadian and Ontario trends are prime influences on employment shortfalls and the consequent decline in the rate of the development of non-residential employment lands. Influences include:

- Changes in the price of oil, value of the Canadian dollar, changing interest rates, off-shore economic and demographic changes.
- Loss of traditional manufacturing jobs to lower wage countries which we cannot, and should not, compete to get back.
- Shift to knowledge-based work and high-skilled advanced manufacturing, *e.g.* robotics.
- Expansion of non-traditional jobs and workforce including working from home and precarious employment jobs.
- Employment growth now often occurs without an associated increase in square footage of floor space.

- Jobs being created within existing office and manufacturing buildings with less or no demand for new built form.
- Younger workers taking more time to enter the workforce and older workers staying in the workforce longer.

Overall, these trends have created, and may continue to create, less demand for employment lands other than in areas such as warehousing/logistics. Thus, Places to Grow employment forecasts may be challenging to achieve.

Land-use planning decisions need to continue to attract and grow employment in Peel Region. There was a consensus at the Workshop was that forecasting employment and employment lands is now seen to be a more complex process. Issues and opportunities raised include:

- Large employment area investment is more likely when a municipality maintains large contiguous blocks of land rather than fragmented employment lands of smaller sizes.
- The need to give greater importance to the transportation requirements of employment lands. The Hurontario LRT is critical for attracting office development and to support people getting to work in the urbanized parts of the Region.
- Given the cost of servicing water and waste water infrastructure and transportation, the Region of Peel needs to decide whether the new Official Plan needs to shift growth to the southern part of the Region where intensification is possible and services are in place.
- The need to phase development with OP approval – have a staging plan in the OP.

While the Region of Peel has areas of economic weakness, there are significant areas of strength and optimistic prospects for future workforce expansion. Peel's fundamentals are such that there is room for strengthening its competitive position. Alternative mechanisms can be used to stimulate employment growth, such as incentivizing both the growth of medium-sized businesses and start-ups. The attributes that can be leveraged include:

- Multicultural community.
- Well-skilled workforce.
- Existing economic sectors that continue to be strong.

Several opportunities were discussed over the course of the Workshop:

- The failure to realize the DC revenue from employment lands is caused in part by inaccurate Provincial employment forecasts and allocations. More robust and flexible Places to Grow employment forecasts are required from the Province of Ontario. The forecast should be flexible enough to be implementable at the local level.
- Province of Ontario and the Government of Canada need to be part of the discussion about non-residential revenue generation. The Municipal and Regional governments need to be unified in their recommendations and planning and in supporting economic development.
- Stimulating growth of small and medium-sized businesses and incentivizing start-ups.
- Potentially separating the Province's population and employment forecasts.
- Better modeling of growth forecasts is required. For example, rather than forecast jobs per hectare, Provincial forecasts should be based on: economic output, projected demographic mix,

changing nature of work (e.g. people working in hotel offices and at home), omnichannel influences on retail jobs and warehousing.
- The need to invest in transit.
- The importance of ensuring there is a well skilled labour force.

7.2 Workshop Themes

Workshop participants did not identify a consolidated consensus recommendation about sustainably financing growth, the role of employment growth and the development of employment lands. There was consensus that a range of alternative financial instruments could be applied, but little consensus on who should pay. Important questions raised during these discussions included:

- Given that global trends account for a good portion of errors in the forecasts, what responsibility should one group (developers or taxpayers) have in making up the revenue gap?
- Front-end financing of capital projects will lessen the risk from the Region of Peel and will shift that risk to the development community. Is this transfer of risk appropriate? If the risk is transferred, and the development community is paying for capital projects up front, should the development community also set the standards for cost effective and efficient servicing? Could this front-end financing scare off investment if too much is expected? Should the Region be allocating growth through a servicing/phasing scheme, which is then front end financed?
- Given that the Federal and Provincial governments benefit considerably from the revenues derived from municipal capital investment, should the Federal and Provincial governments also be expected to invest in the infrastructure?
- How can municipalities and senior levels of government work better collaboratively to support economic development?

7.3 Comments/Questions Received from Questionnaires

What most resonated with you today in terms of options that show most promise for sustainable financing growth in Peel Region?

- Challenge is how we recover from our debt on DCs.
- Do we consider front-end financing the costs on residential development and not for employment development?
- The morning presenters provided a lot to think about based on Global trends.
- Need to explore competitive advantages.
- Need right infrastructure.
- Upper level government support.
- Global forces.
- Erosion of middle class jobs.
- Precarious employment.
- The need to delink employment and projected growth.
- The declining vitality of the Peel employment base.
- The need for the Region to have a vital role in economic development and RT improvements.
- The Province is not only a policy maker, but also a stakeholder in economic growth. It must honour its promises in delivering the required infrastructure before asking municipalities to do the same.

What do you think shows the most promise in tackling the economic and sustainable growth challenges in Peel Region?

- The Canadian economy has a lot to do with employment growth. What can be gained from development is amazing.
- Rethinking how we define infrastructure.
- Thinking GTA wide.
- Obtaining support from the Feds for city building.
- The Region to get a better 'handle' on their financial modeling *i.e.* Where are the efficiencies? What is a reasonable investment?
- Peel Region should consider more employment in Caledon in the future.

In your opinion, how should Regional infrastructure be financed to support economic growth and avoid assuming unsustainable levels of debt/risk?

- Need front end financing for future residential development.
- Shift finance with private sector funding needs to be considered.
- DCs plus I think we should consider increasing taxes and advocacy and engaging private sector.
- Look at DCs on logistics/warehouse developments (square foot plus service impact).
- Seek areas of maximum 'efficiencies' – investment and effectively use them.
- Seems 'lots of talk' – not much action on behalf of the Region.
- Wise management of its Capital projects.
- The employment forecasts for employment lands are too high
- The FSW (floor space per worker) has been too low for businesses located on employment lands.
- Other revenue generating models that the Region has at its disposal to recover infrastructure costs: Water and Sewer Rates; and General Real Estate Taxation
- The Region immediately needs to amend the Development Charge assumptions to more accurately reflect the actual growth densities occurring on Employment land and Office lands.
- The Region should immediately affect a charge on the general tax base

After listening to the conversation today, in your opinion, how best can Peel Region create partnerships with key stakeholders as it moves forward with the Region's growth management program?

- I think Peel is in a perfect position to move forward with working with development partners.
- Data, data and more data.
- Need to determine what partnerships are required first.
- Region needs to decide what it needs and be able to truly defend it – partnerships will then evolve.
- Using its diverse cultural connections to make the Region part of the global economy.

Growth Management Committee
April 30, 2015

Arvin Prasad, Director
Integrated Planning Division
Corporate Services

Region of Peel
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Agenda

- Highlights from March 5, 2015 Growth Management Workshop
- Proposed Future Agenda Items and GMC meetings

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March 5, 2015 Growth Management Workshop

- Objective - To discuss the Region's employment trends in the context of the Region's Growth Management Program.
- 98 attendees in total, made up of elected officials, area municipal and regional staff, developers and consultants, academics, landowners and boards of trade.

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Highlights from March 5, 2015 Growth Management Workshop

- General consensus – forecasting employment and employment lands is very complex.
- Growth in jobs in Peel has declined rapidly over the last decade from 1 new job for every 2 new residents, to 1 new job for every 4 new residents.
- Growth Plan employment forecasts have significantly overestimated job numbers in the GTHA, as it failed to account for economic structural change and recession.
- Changes in global and regional economic and employment trends are affecting demand for employment lands. e.g. changes in price of oil, loss of traditional manufacturing jobs, expansion in non-traditional jobs, renovating existing non-residential buildings instead of building new, building up rather than out for warehousing, etc.

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Highlights from March 5, 2015 Growth Management Workshop

Issues

- Peel accounts for 35% of the GTA's industrial inventory (sf). Since 2000, Peel Region has accounted for 1 out of every 2 new sf of industrial space GTA-wide.
- Historical supply levels of 6 million square feet of new industrial space annually in Peel in 2007 has decreased to around 4 million square feet annually in 2013.
- Availability of transit impacts attractiveness of employment lands, as it supports people getting to work in urbanized parts of the Region.
- Given costs of servicing water and wastewater infrastructure and transportation, Growth needs to occur in areas where intensification is possible and services are in place in order to maximize infrastructure use.
- New office supply trends impact Peel's DC revenue generation: 1) declining office space per worker; 2) Peel's office concentrations have above average vacancy.

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Highlights from March 5, 2015 Growth Management Workshop

Opportunities

- Stimulate employment growth, such as providing incentives to support growth of start-ups into medium sized businesses, and improving mobility within Peel Region.
- Take advantage of a multicultural community, with well-skilled and educated workforce.
- Opportunity for Peel to consider broadband as essential public infrastructure (like water, roads, and electricity).

Information Communication Technology Infrastructure (ICTI)

- Improved ICTI and its role in underpinning future economic development was raised repeated at GMW #4.
- Learning session with the Director of Intelligent Communities of Waterfront Toronto – GMC is invited. Event Details:

May 22, 2015, 9am-11am

10 Peel Centre Drive, Suite A,

Brampton and Caledon Rooms

- Intelligent Communities Forum Summit: Toronto June 8 – 12 2015

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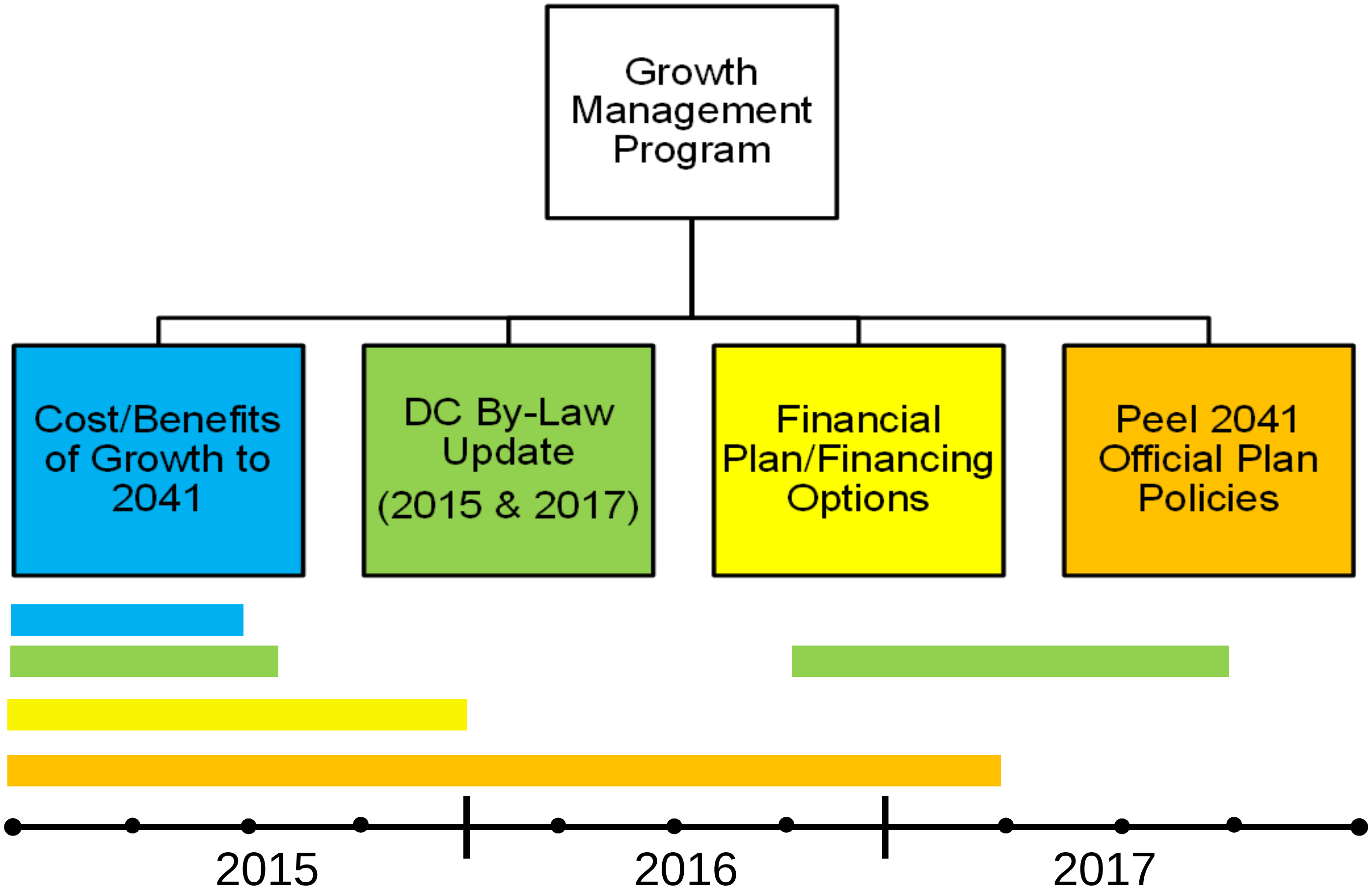
General Themes

- General consensus that a range of alternative financial instruments could be applied.
- Key considerations for moving forward and lessons learned from workshop:
  - Permanent shift to knowledge-based work and high-skilled advanced manufacturing, e.g. robotics.
  - Traditional manufacturing jobs are lost to lower wage countries which cannot, and should not, compete to get back.
  - Peel experienced the expansion of non-traditional jobs and workforce, including working from home and precarious employment jobs.
  - Employment growth now often occurs without an associated increase in square footage of floor space.

General Themes

- Key considerations for moving forward and lessons learned from workshop:
  - Consider other revenue generating models that the Region has at its disposal to recover infrastructure costs: Water and Sewer Rates; and General Real Estate Taxation.
  - Jobs are being created within existing office and manufacturing buildings with less or no demand for new built form.
  - Large employment investments are more likely to occur when a municipality maintains large contiguous blocks of land, rather than fragmented employment lands of smaller sizes.
  - There is a need to improve transit services to employment areas.

Growth Management Program Overview



Proposed Future Agenda Items and GMC Meetings

- Proposed Future Agenda Items
  - Recommendations for financing/servicing options
  - Draft growth forecasts (2031-2041) and servicing policies
- Upcoming GMC meetings
  - June 4, 2015 – recommend cancellation
  - September 17, 2015(9:30am)
  - November 19, 2015 (9:30am)

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Costs/Benefits/Risks of Growth to 2041

Growth Management Committee

April 30, 2015

Steve VanOfwegen,

CFO and Commissioner of Finance

Region of Peel

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Purpose of Presentation

To provide highlights of the Costs / Benefits / Risks Study related to Peel's forecasted growth

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Costs/Benefits/Risks of Growth to 2041 Study

Outcome:

- A robust Regional Official Plan that is supported by a sustainable financial plan and servicing plan that takes into consideration of the risks, costs and benefits of managing growth.

Objective of Study:

- Complete a full analysis on the costs/benefits/risks of growth to 2041

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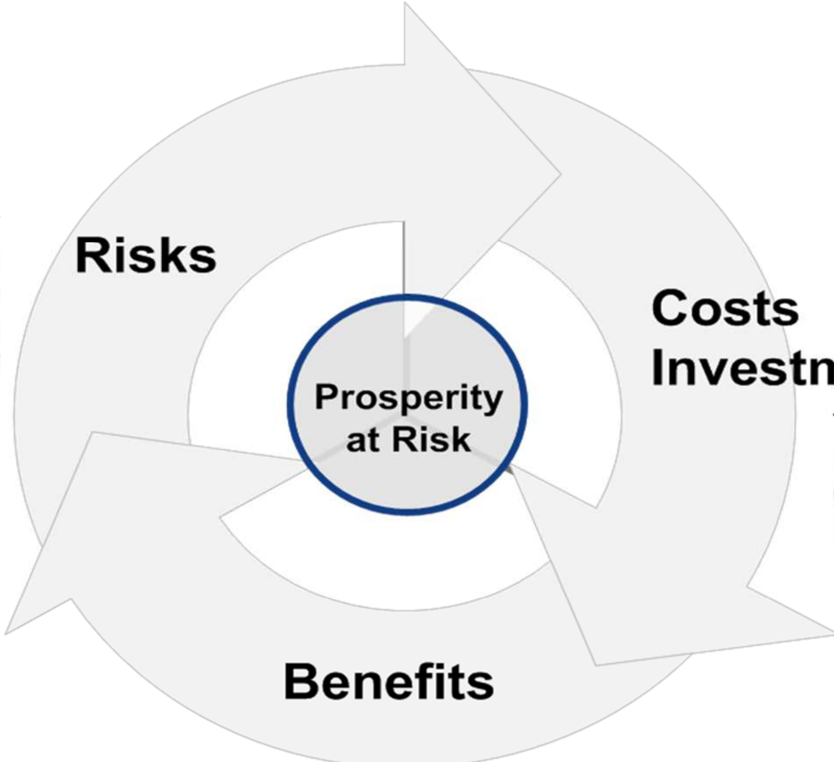
Scope of Study

1.4 million → **2 million**
2014 — Population **Growth** — 2041

Debt management and servicing
Resident affordability
Population scenarios
Land usage
Regional, provincial and federal infrastructure policy



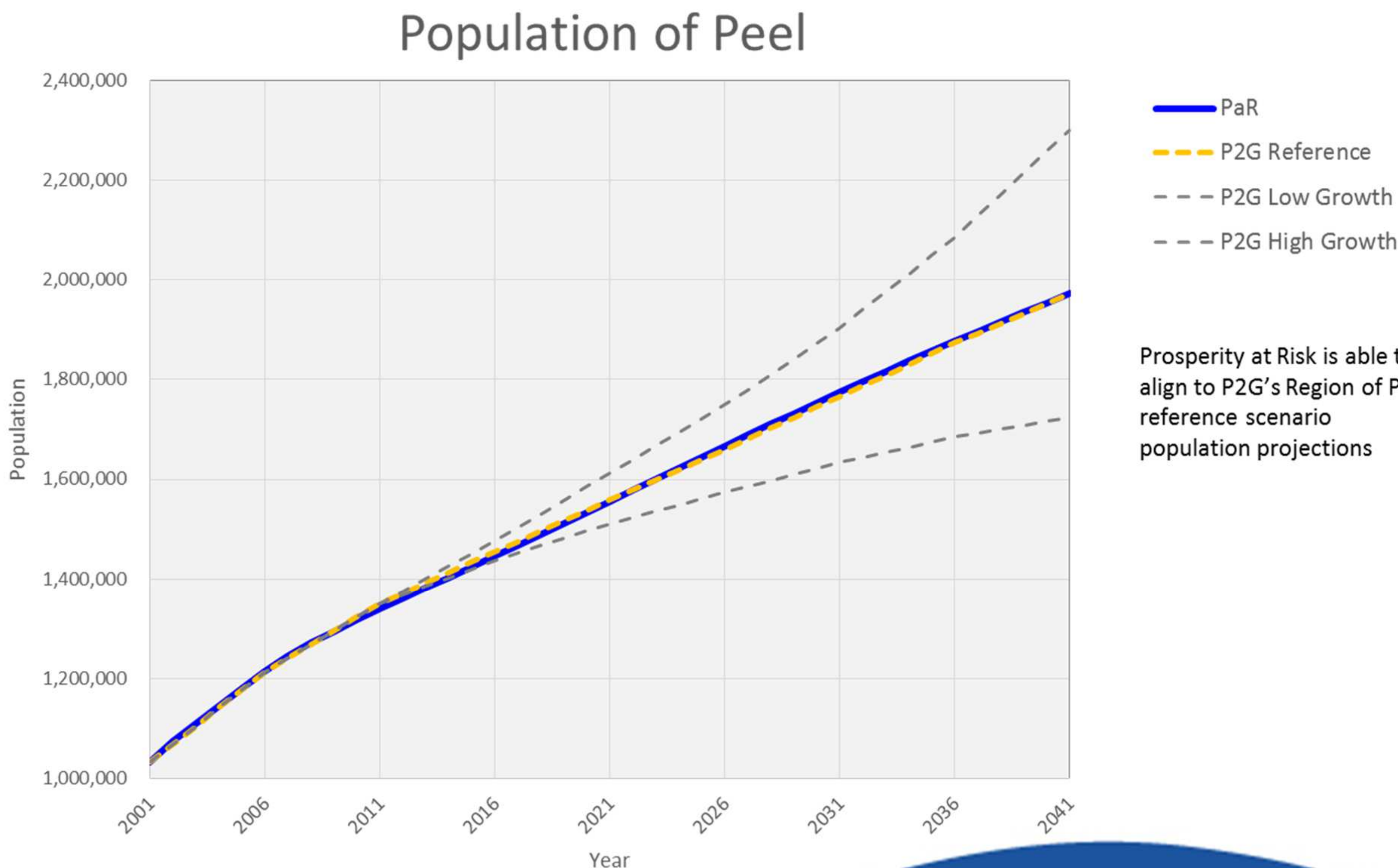
Tax supported programs
Rate supported programs
Capital induced operating costs
Financing

Employment, economic productivity, household incomes
Capital and operating revenues
Fiscal revenue generating capability (including DCs and inter-government transfer payments)
Federal & provincial impacts

Approach


Provincial investments
Federal investments
Inter-regional economic development
Economic sector forces
Regional economic development
Employment
Intra/inter regional investment
Economic Productivity
Population changes
RoP Capital Programs
Affordability
RoP Operational Programs
Sustainability
PAR
PROSPERITY AT RISK

Peel Expected to Achieve P2G Population Forecast



Prosperity at Risk is able to align to P2G's Region of Peel reference scenario population projections

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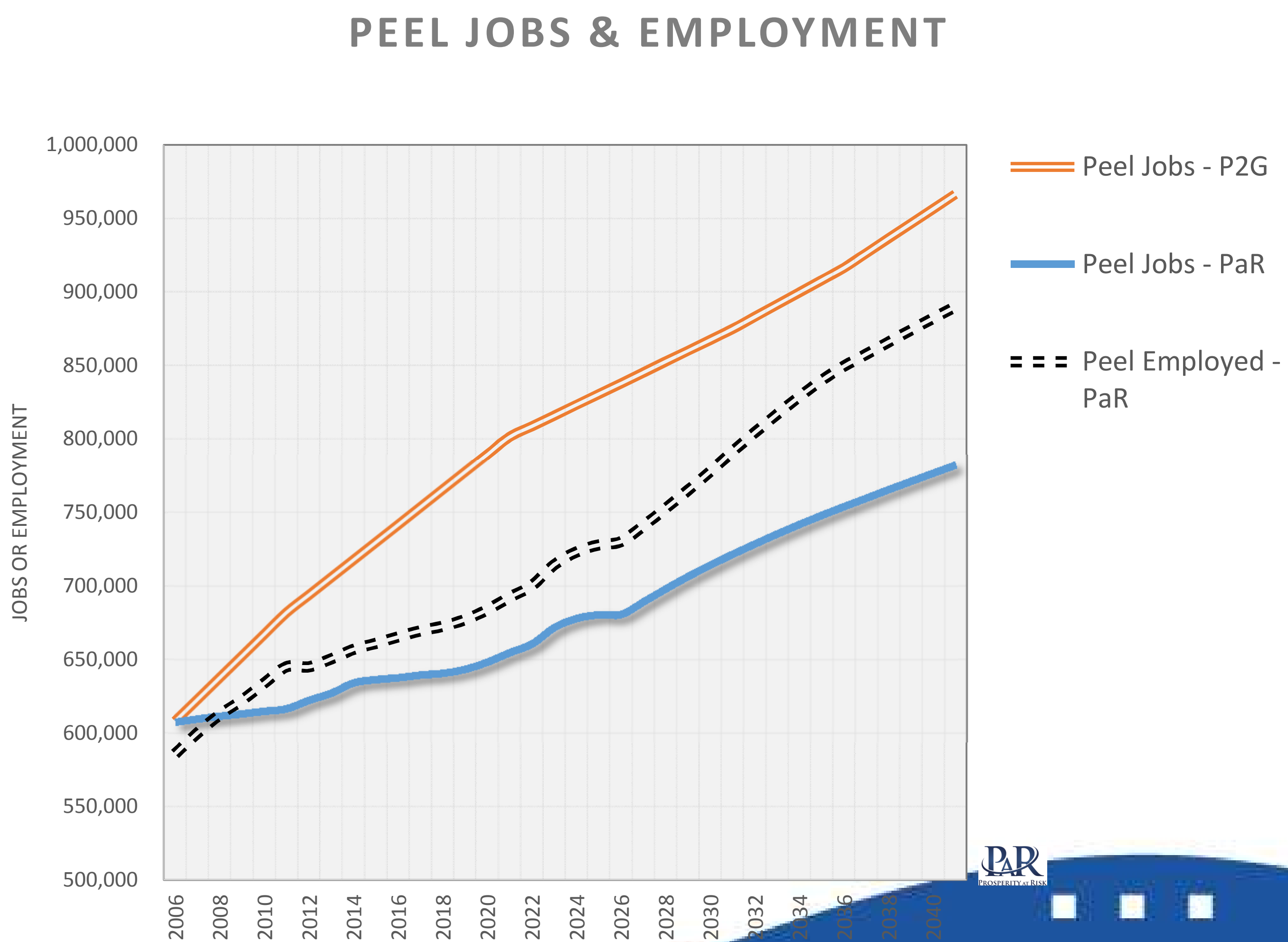
Will Peel Achieve P2G Employment Forecast?



PaR PROSPERITY at RISK

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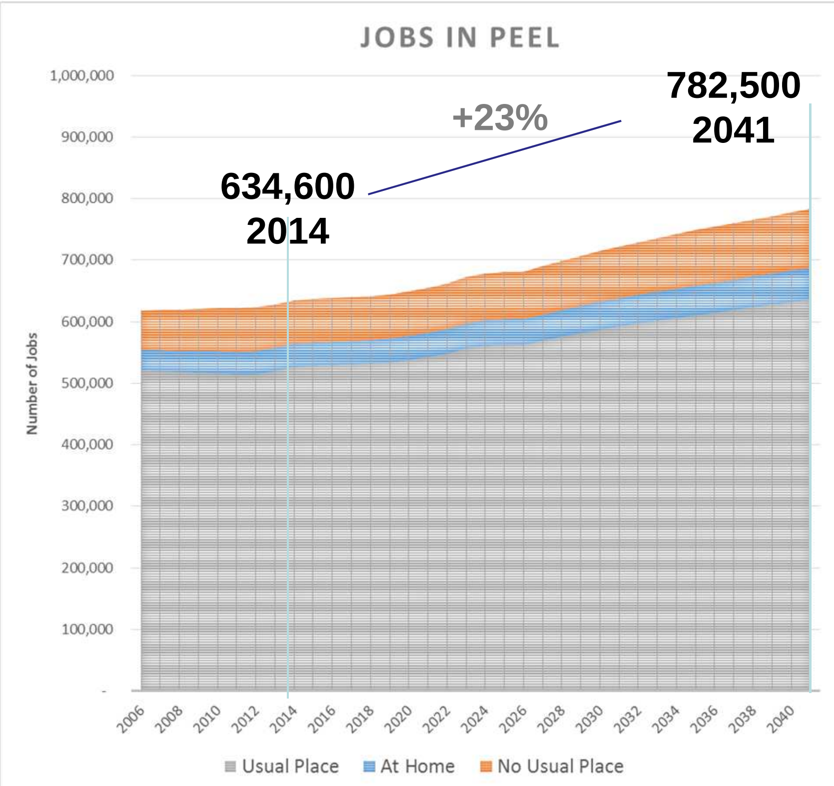
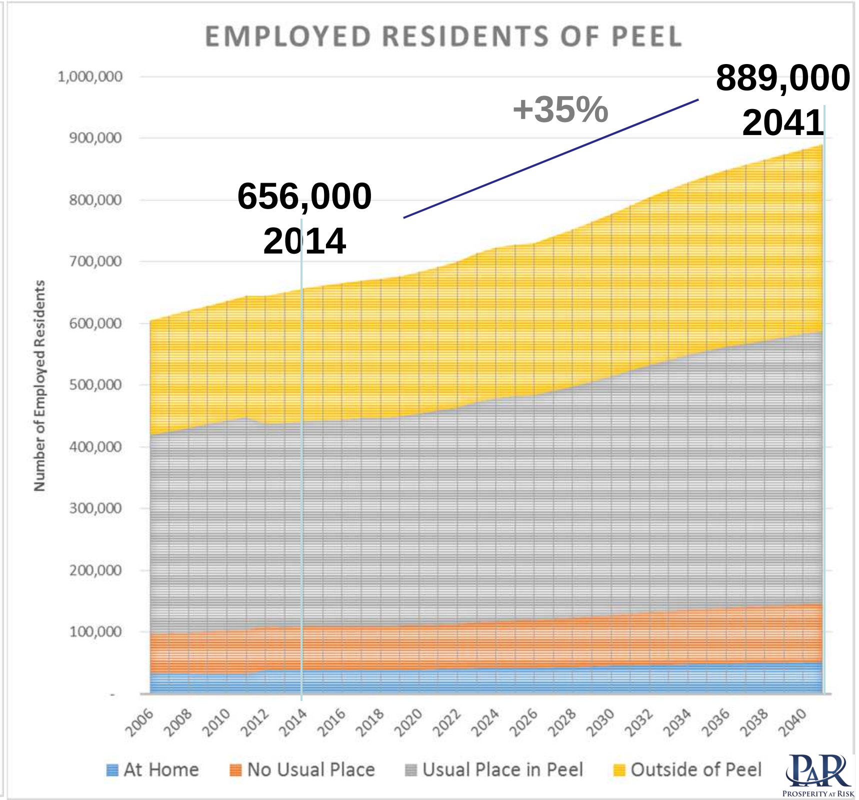
Peel Unlikely to Achieve P2G Employment Forecast of 970,000 Jobs





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Interdependencies for Peel's Growth

Peel Federal Dependencies

- Federal govt invests $22.7B in public capital in or near Peel ($1.8B is for growth)
- Federal govt does not raise taxes
- Federal govt does not reduce average immigration rates

Peel

Peel Provincial Dependencies

- Ontario govt invests $55B in public capital in or near Peel ($4.2B is for growth)
- Ontario govt does not raise taxes
- GTHA co-ordinates on infrastructure investment & economic development

Peel Regional Dependencies

- Peel population grows +570,000
- RoP invests $16B in capital ($5.6B is for growth)
- Area municipalities invest $4.9B in capital
- Peel planning & economic development can attract:

  +127,000 jobs to Peel

  +305B non-residential private capital to Peel

  +139B residential private capital to Peel

Economic Impact to Other Levels of Government

Economic Factor	Region of Peel	Provincial Government	Federal Government
Investment	Every $1 (in addition to maintaining existing assets)	$7.65 (in addition to maintaining existing assets)	$3.16 (in addition to maintaining existing assets)
# of Jobs	1	1.73	1.74
GDP	$1	$1.63	$1.62
Revenue	$1	$5.70	$6.22

Note: Provincial and Federal infrastructure investments are in, or near, Peel

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Benefits to Other Levels of Government

Investment Area	Impact to GDP	Impact to Revenue	Impact to Jobs
Water			
Provincial	$0.47	$2.90	0.31
Federal	$0.45	$2.27	0.36
Wastewater			
Provincial	$0.47	$2.39	0.33
Federal	$0.46	$1.99	0.34
Transportation			
Provincial	$0.47	$1.77	0.43
Federal	$0.47	$1.41	0.45
Other			
Provincial	$0.49	n/a	0.80
Federal	$1.18	n/a	0.52

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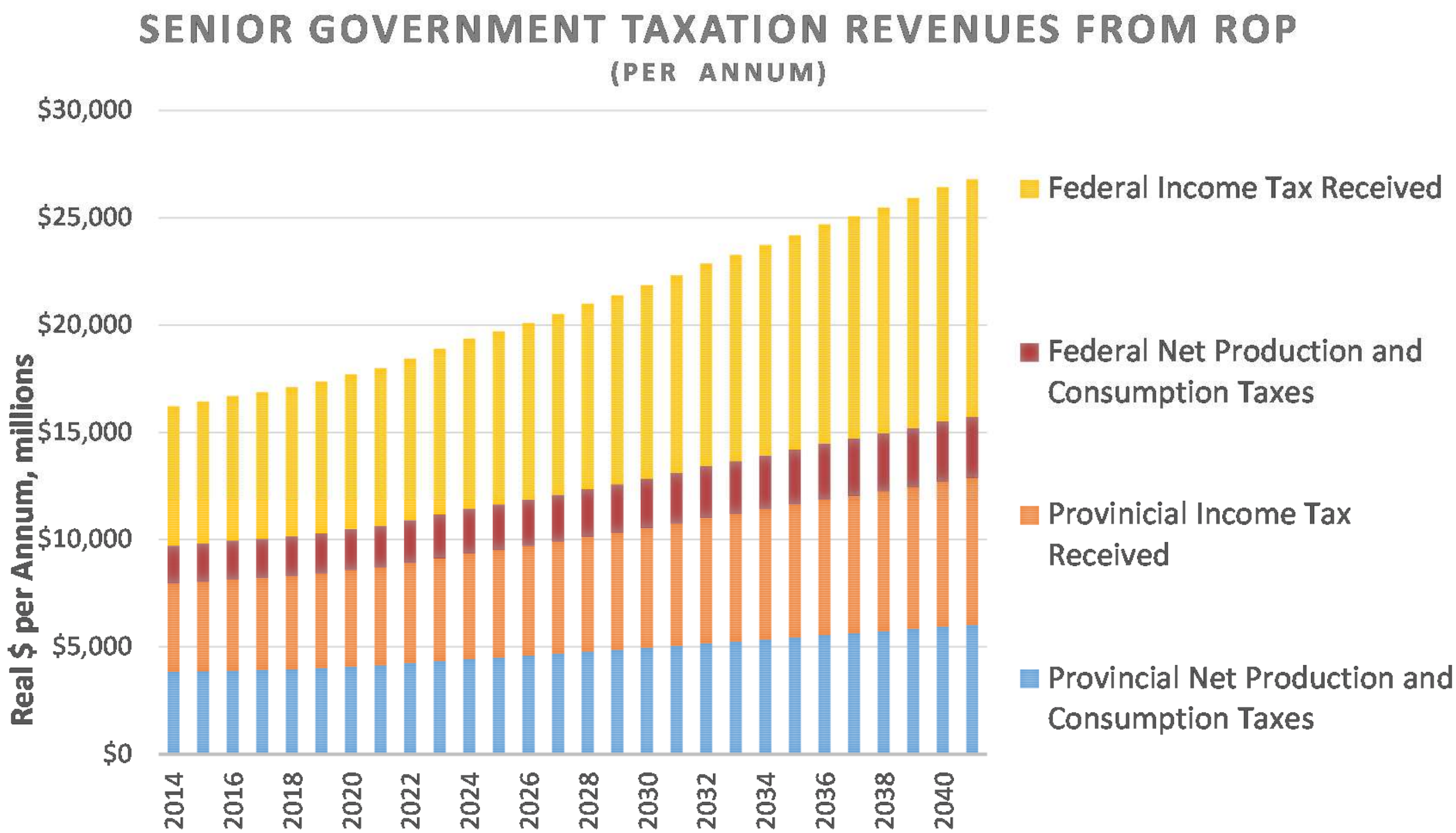
Provincial and Federal Taxation Benefits



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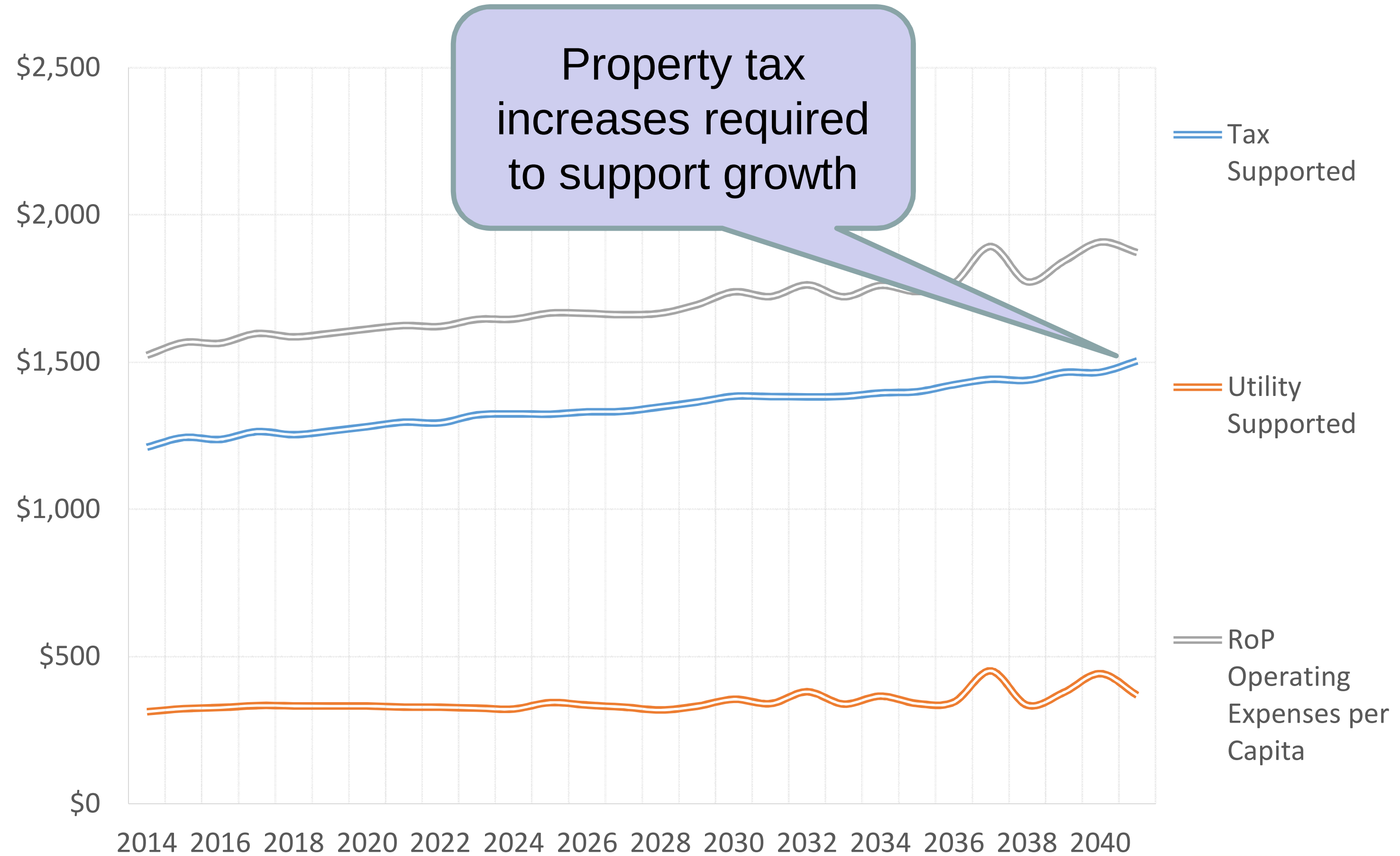
Peel Operating Budgets Per Capita (REAL, $)



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Potential Implications

- P2G forecast accurate for residential growth
  - Minimal risk to servicing residential growth
  - Growth will mitigate risks of servicing an aging population
- P2G forecast for employment overstated
  - Servicing of employment lands based on P2G puts Peel's financial condition at risk
  - Peel will increasingly rely upon residential tax revenue
- High interdependencies on others investing in or near Peel
  - Elevates risk to optimize benefits of Peel's growth investments

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Assumptions to be Monitored Over Time

- Population and employment growth
- Assessment growth and ratios
- Development activity and composition
- Provincial and Federal infrastructure investments

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Next Steps for GMC

- Challenge the province on employment forecasts
- Communicate the risk of the provincial and federal governments <u>not</u> investing
- Implement future servicing based on realistic employment forecasts
- Support area municipalities in economic development

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REPORT
Meeting Date: April 30, 2015
Growth Management Committee

DATE:	April 22, 2015
REPORT TITLE:	**2015 DEVELOPMENT CHARGES BACKGROUND STUDY - PRELIMINARY FINDINGS AND POLICY CONSIDERATIONS**
FROM:	Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

RECOMMENDATION

That the report of the Chief Financial Officer and Commissioner of Finance titled "2015 Development Charges (DC) Background Study - Findings and Policy Considerations" be received;

And further, that the collection of hard service Development Charges at the time of subdivision agreement for residential development, excluding apartments, be included in the 2015 DC Background Study and By-law update, with implementation to occur 120 days after the new DC By-law is in force;

And further, that 2.5 FTE positions be created to support the new process, funded through working fund reserves in 2015, and included in the 2016 operating budget as a tax funded expenditure;

And further, that single/semi-detached and rowhouse/other multiple residential categories be introduced in the 2015 DC By-law in place of the current "Other Residential" category;

And further, that the draft 2015 Development Charges Background Study and By-law be made available to the public at least two weeks in advance of the public meeting;

And further, that the Regional Municipality of Peel hold a Public Meeting as required under Section 12 (1) of the *Development Charges Act (DCA)* on May 28, 2015.

REPORT HIGHLIGHTS

- In response to Regional Council June 2014 direction, Regional staff commenced a new Background Study and DC By-law review/update in Q3 2014 with the intent to implement in 2015
- The 2015 DC By-law review, uses current 2031A population and employment forecasts, and is part of the Region's growth management program to ensure financially sustainable growth
- A 2017 DC By-law update will reflect 2041 population and employment forecasts and consider other potential financing options and considerations to enhance sustainability of growth

- The Region has issued gross DC debt of $1.273 billion since 2010 as compared to the forecast of $2.0 billion by 2014 in the 2012 DC Background Study
- The form and pace of development since 2002 has resulted in lower DC revenues being collected, in particular non-residential activity and revenues have been well below forecasts due to a changing economy
- The preliminary DC rates as of March 2015 have increased by different percentages by rate category due to changes in residential and non-residential density estimates per unit compared to the 2012 Background Study estimates. The final rates will be subject to the impact of technical adjustments being reviewed with BILD as part of ongoing stakeholder engagement.
- Policies were reviewed for possible implementation in 2015 based on input from stakeholders, environmental scans and technical advice
- To improve cash flow, the report outlines options and required resourcing to advance DC collection to time of subdivision agreement.
- Regional staff have engaged and will continue to engage the development community throughout the By-law review process and will present the preliminary background study and new DC rates prior to the public meeting
- Regional staff propose scheduling May 28, 2015 for the public meeting as required under section 12 (1) of the Development Charges (DC) Act to facilitate the adoption of the new By-law by Regional Council on July 9, 2015
- Regional Council's June 2014 direction to update the DC By-law provided to the development community one year advance notice in relation to the proposed July 9, 2015 adoption of the new By-law, therefore in keeping with Regional Council's 2012 direction no additional transition period is recommended
- Changes proposed in Bill 73 to update the DC Act are not expected to be in force prior to the 2015 DC Background Study and By-law update
- Proposed DC rate and policy changes will improve the financial sustainability of the Region's growth program consistent with the principles of the Long Term Financial Planning Strategy

DISCUSSION

1. Background - Funding Growth in Peel Region

a) Development Charges Legislative Framework

The *Development Charges Act (DCA), 1997 s*ets out the framework within which Ontario municipalities including the Region of Peel finance growth related capital programs.

The DCA outlines that a municipality must pass a new By-law at least every five years to impose development charges within its jurisdiction. This By-law must be supported by a background study which is to include estimates of the anticipated growth and its impact on services and the related capital costs in the municipality. The majority of the Region's capital costs are for water, wastewater and roads which are generally referred to as hard services. Capital costs for other services such as police, social housing, long term care and paramedics are generally referred to as soft services.

Once the DC Background Study and By-law have been prepared and made available to the public there must be at least one public meeting to allow for representations. Regional Council can determine if a further public meeting is required. Once a new DC By-law has been passed, there is 40 day appeal period. Any person or organization may appeal a DC By-law to the Ontario Municipal Board by filing with the clerk of a municipality within the 40 day appeal period.

b) Regional Council Direction

The Region last updated its DC By-law and background study in 2012. The By-law came into force on October 4, 2012. At the time the 2012 DC By-law was passed, Peel Regional Council directed Regional staff to do an annual assessment of DC rates and commence a new background study if the projected shortfall in rates exceeded 20 per cent. In 2013, Regional staff did an assessment of DC rates based on the 2014 Capital Plan which suggested a 15.5 percent rate increase was needed to keep the DC program sustainable. Despite the upset limit not being breached, Regional Council passed resolution 2014-593 in June 2014 directing Regional staff to do a new background study with the intent to calculate new DC rates and update current DC policies where required. A subsequent DC adequacy test done in 2015 based on the 2015 Capital Plan suggested a rate increase of just over 20 per cent was required.

The 2015 DC By-law review is based on the Regional Long Term Financial Planning Strategy principle that growth should pay for growth to the fullest extent within the DC legislative framework.

Further to Regional Council's June 2014 direction, Regional staff notified the development community of the Region's intent in July 2014, effectively one year before the proposed July 9, 2015 date for adoption of the new DC By-law. This honours Regional Council's 2012 direction on a triggered update to provide one year's notice of a new by-law in lieu of a transition period.

c) History of Development Financing in Peel

Historically, water and wastewater systems in Peel were designed, built, financed, operated and maintained by the Province and costs were recovered from all ratepayers. Responsibility for this system has since been fully transferred to the Region of Peel. The system which was transferred to the Region included excess capacity that the Region has largely now consumed. Major infrastructure projects such as water and wastewater treatment plants and watermains are put in place by the Region in anticipation of development to support Provincial Places to Grow population and employment estimates. Peel's infrastructure servicing is done so that it minimizes disruption to existing communities, with the Region thereby assuming most of the growth infrastructure financing risk.

In the past, Peel experienced robust population and to a lesser extent employment growth that contributed to strong DC Regional (DC) revenues compared to growth-related capital spending and consequently positive DC Reserve balances. As a result of changes in the nature of employment and the recent recession, the Region has collected significantly less in DC revenue than forecast; however, the Region has continued to invest in infrastructure to support growth. These factors have contributed to the need for the Region to borrow externally to finance growth-related infrastructure development.

Since the passage of the 2012 DC By-law, Regional Council has been actively managing growth related borrowing through the annual budget reviews. In addition, Regional Council and Regional staff have been monitoring all major capital projects in relation to the timing of actual project expenditures relative to budget to support appropriate timing and phasing of work and inform debt financing needs. Since 2010, the Region has issued $1.273 billion in DC debt compared to the 2012 DC Background Study forecast of $2.0 billion by 2014. DC debt, including interest, is to be fully funded by the developers through current DC rates.

d) Growth Management Program and Long Term Financial Planning Strategy

The Region's Growth Management Program's mandate is to develop a robust Regional Official Plan that is supported by a sustainable financial plan and servicing plans. Key components of the Growth Management Program include updating the DC By-law in 2015, examining the risks and benefits of infrastructure investment to the Region and other stakeholders, and developing alternative growth financing options for Peel. This work is consistent with the Region's Long Term Financial Planning Strategy including the principle that users should pay where appropriate, and supports Regional Council's principle that "growth pays for growth".

i. 2015 DC By-law considerations

The 2015 By-law update is focused on updating DC rates and policies within the current DC legislative framework to ensure financial sustainability. The 2015 DC By-law update utilizes 2031A population and employment forecasts.

ii. 2017 DC By-law considerations

The broader Growth Management Program initiatives utilizing Places to Grow 2031B and 2041 population and employment forecasts and related master servicing plans are expected to derive findings that will support the proposed 2017 DC By-law update. The 2017 DC by-law update will utilize Places to Grow 2031B and 2041 population and employment forecasts and related master servicing plans and will include possible new financing options to be considered by the Growth Management Committee and Regional Council.

e) 2015 DC By-law Update Overview

The 2015 DC study is based on the current Regional Council approved inputs (i.e. the places to grow 2031A population forecasts and associated Regional master servicing plans) for growth planning and financing in the Region to 2031. The 2031A forecasts assume a population of 1.64 million in Peel by 2031. While the preceding key inputs remain constant since the 2012 DC Study, Regional staff have reviewed the following other assumptions in consultation with key partners and stakeholders to help inform the 2015 DC Background Study and By-law updates.

Figure 1 – 2015 DC Background Study Review of Modelling Assumptions

Core Assumptions Reviewed for Modelling DC Rates	Resource that Informed the Review of Assumptions
Timing of Employment and Population Growth over the Planning Horizon to 2031	▪ Feedback from Regional Growth Management Committee and workshops ▪ Watson and Associates Economists Limited (Watson) technical analysis
Employment Densities: Floor Space Per Worker (FSW) Assumptions	▪ Hemson Consulting's employment trends study ▪ Watson's review of key inputs such as no

	fixed place of work and persons working from home
Residential Densities: Persons Per Unit Assumptions(PPU) assumptions	▪ Watson's review of 2011 Statistics Canada census data
Small Unit Threshold Size	▪ Feedback from the area municipalities ▪ Watson's review of data ▪ Environmental scan of area municipalities and other municipalities
Unbundling of "Other Residential" rate category into separate Singles/Semis and Rows/Other Multiples categories	▪ Feedback from the development industry ▪ Watson's review of 2011 Statistics Canada Census data ▪ Environmental scan of area and other municipalities
Financing Rate Inputs	▪ Input from Watson ▪ Environmental scan of economic trends
Asset Service Level Update	▪ Internal capital asset review
Capital Expenditures Estimates	▪ The Region's cash, debt and asset management strategies ▪ Environmental scan of economic conditions

The Region has contracted Watson to calculate the new DC rates and prepare the Background Study.

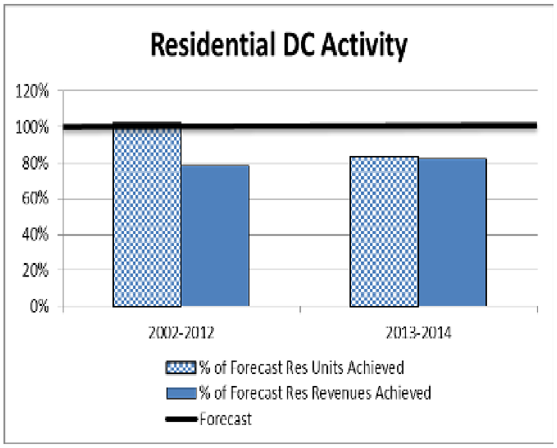
The Region has engaged the development community throughout the By-law review process by providing capital plans and preliminary DC rates for review and discussion in advance of the release of the draft DC Background Study. Regional staff propose May 28, 2015 for the public meeting as required under Section 12 (1) of the *Development Charges Act (DCA),* 1997 and July 9, 2015 for the new DC By-law adoption by Regional Council.

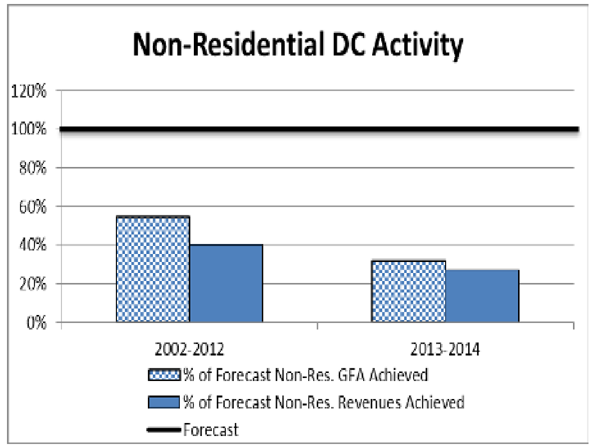
2. Findings

a) Revenue Forecast vs Actuals 2012-2014

As previously reported to Regional Council, the Places to Grow employment forecasts from the Province have not materialized as predicted. These forecasts formed the basis of past DC revenue forecasts. The following charts illustrate these shortfalls since 2002. Residential development activity has been closer to forecast than non-residential over this period.

Figure 2 – 2002-2012 and 2013-2014 – Forecast vs. Actual Residential and Residential Activity and revenues





The shortfall in 2013-2014 residential revenue is primarily attributable to the impact of the 2012 DC By-law update that increased the development charge rates. A spike in residential building permits occurred in 2012 ahead of this increase in rates and there was a corresponding decrease in permits issued in 2013, the first full year of the higher rates. In 2014, the residential construction level was at 97 per cent of the 2012 DC Background Study forecast.

As discussed at the Region's Employment Workshop in March 2015, all 905 Greater Toronto Area (GTA) municipalities have been impacted by a changing economy. As a result the provincial employment forecasts have not materialized in Peel. The Employment Workshop explored the opportunities for advocacy and the potential to develop more accurate employment forecasts for Peel in the future.

To mitigate the risks associated with not achieving the provincial Places to Grow employment targets, where practical servicing of employment lands should reflect the actual anticipated pace of employment growth experienced in the Region.

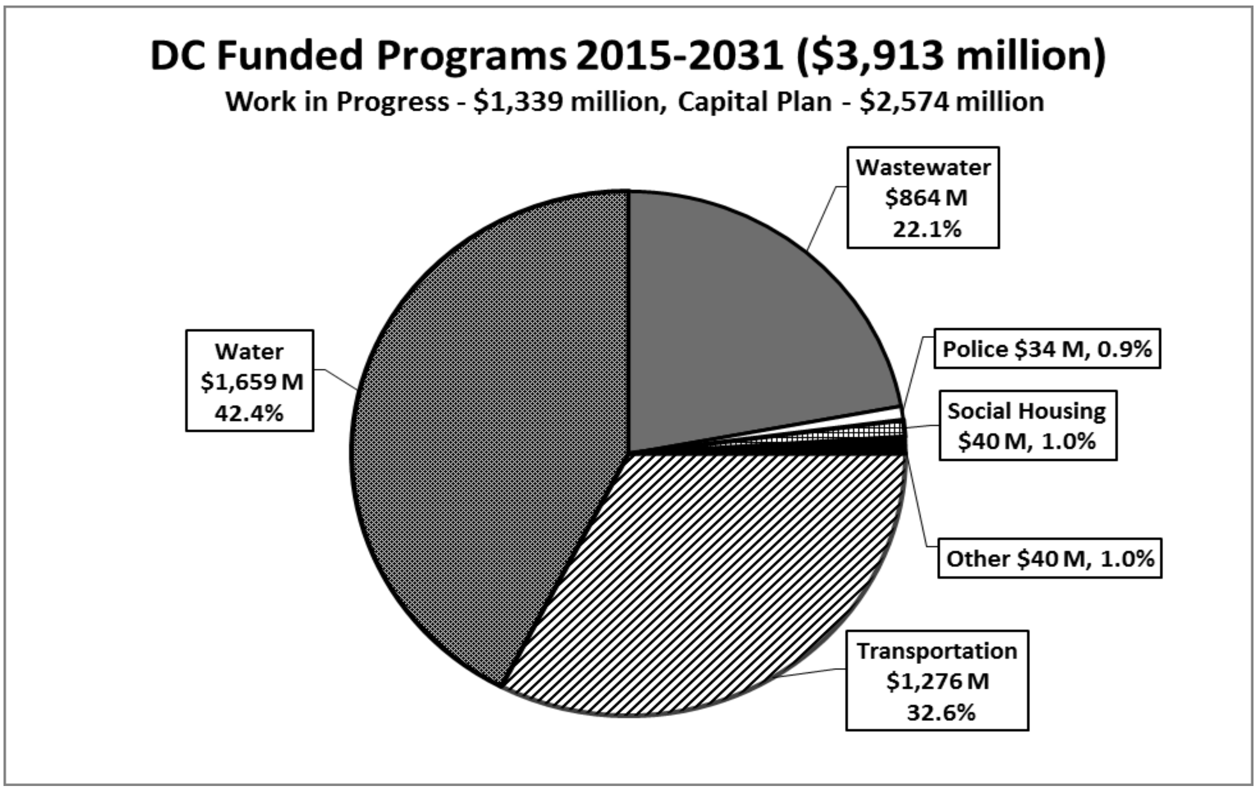
b) Forecast Capital Spending 2015-2031

Capital spending for the period is based on the 2015-2024 Capital Plan adopted by Regional Council in February 2015 plus forecast spending from 2025 to 2031 consistent with the Water, Wastewater and Roads master servicing plans. Total capital spending forecast for the period 2015 to 2031 is $3.91 billion or an average of $230 million annually compared to average annual spending of approximately $304 million over the last 5 years. The lower annual spending forecast into the remainder of the planning period reflects that many major investments in infrastructure have occurred in the last 5 years. In addition to the forecast capital spending, DC rates will also need to continue to capture the financing costs associated with the growth capital program. The amounts in the following chart include DC funding for projects already approved by Regional Council that remain as work in progress totaling $1.3 billon.

These amounts do not reflect the impact of technical adjustments being made as a result of ongoing engagement with BILD. One of the adjustments flowing out of these discussions relates to the addition of costs to service the Bolton (2031) Rural Service Centre Expansion (BRES).

The Regional Official Plan Amendment Application for this (ROP 14-002) has been endorsed by the Town of Caledon. Costs to service these lands in Caledon are proposed to be included in the technical adjustments that will be reflected in the final DC rates in the DC Bylaw. It is estimated that these costs for water, wastewater and roads servicing will be approximately $92 million. The anticipated growth has been included in the 2031A growth allocations established by ROPA 24. The inclusion of the costs to service BRES is consistent with the intention of the 2015 DC By-law update to better align overall DC revenue with DC capital costs over the planning horizon. As a result, the BRES capital cost estimate of $92 million is being included in the 11th year of the study to facilitate the collection of DCs in advance of the development.

Figure 3 - DC Capital Spending Forecast - 2015-2031



c) Updated Person Per Unit (PPU) and Floor Space Per Worker (FSW) Assumptions Including Composition

PPU and FSW estimates are important elements in the modeling of DC rates. As noted in the graphs on DC activity in Section 2(a) the past difference between residential units and GFA growth and corresponding revenues suggested that the PPU and FSW assumptions needed updating. This background study has provided an opportunity to update the assumptions based on the latest available data. Watson has reviewed the PPU and FSW assumptions using Statistics Canada 2011 census data, recent municipal employment survey data and the employment trends study prepared by Hemson Consulting to help inform the analysis. In commissioning the employment trends study results, the Region committed to using its results to inform the 2015 DC update.

Watson's findings suggest that the Region's average PPU over the past 10 years increased modestly from 3.33 in 2001 to 3.35 in 2011 compared to other Regional municipalities across the Greater Toronto Hamilton Area (GTHA) where average PPU levels have declined in recent years. This PPU increase has been driven by steady increases in the average PPU for low-density housing in the City of Brampton. The overall increase in average PPU in the Region is a combination of declining average PPUs for older residences and increasing average PPU for new housing units.

FSW estimates have increased for both industrial and non-industrial development since the 2012 DC Background Study. Industrial FSW has increased from 90 square meters per worker to 149 square meters per worker based mostly on the following:

- New information that was included in the 2014 Employment Trends Report
- Changing patterns of employment-related development in Caledon;
- The exclusion of data relating to non-industrial activity on industrial lands; and
- The exclusion of employees working from home and with no fixed place of work.

These factors all entered into the new FSW estimates developed and recommended by Watson as part of their review of the growth related inputs to the 2015 DC update.

Figure 4 - Updated Preliminary PPU and FSW assumptions, 2015-2031

Assumptions	**2012 DC Study**	**2015 DC Update**	**% Change**
PPU			
Other Residential	3.50	3.87	10.57%
Singles/Semis	n/a	4.15	n/a
Rowhouses/Other Multiples	n/a	3.40	n/a
Small Unit	1.30	1.68	29.23%
Apartment	2.50	2.54	1.60%
FSW - M^2/ Worker			
Industrial	90	149	65.56%
Non-Industrial	35	37	5.71%

d) Estimated DC Rate Results

Based on current assumptions the proposed Regional DC rates would change as outlined in the following table. These rates do not include the impact of the final technical adjustments currently under review with BILD. The impacts on DC rates will be reported on before inclusion in the proposed 2015 DC By-law.

Figure 5 – Preliminary Estimated DC rates by Category – Region of Peel

Type of Development	Current Rates	Preliminary Rates (March 2015)	Amount of Change $	% Change
Other Residential *	$36,402	$45,971	$9,569	26.3%
Singles/Semis	n/a	$49,297	$12,895	35.4%
Rowhouses/Other Multiples	n/a	$40,388	$3,986	10.9%
Small Unit (<750 sq. ft.)	$13,521	$19,955	$6,434	47.6%
Apartment (>750 sq. ft.)	$26,002	$30,172	$4,170	16.0%
Industrial (per M^2)	$137.06	$138.60	$1.54	1.1%
Non-Industrial (per M^2)	$199.57	$205.45	$5.88	2.9%

* Note: Based on recommendations the Other Residential category will not be in effect in the new by-law, it is included in this table for comparative purposes only.

The varying percentage changes in DCs rates within the residential and non-residential categories were driven by updates to the underlying density assumptions. These density assumptions are persons per unit (PPU) and floor space per worker (FSW) for residential and non-residential developments respectively.

e) Comparison of DC Rates Across the GTA

Peel DC rates continue to compare favorably with York and Halton Regional municipalities in the industrial and non-industrial categories. Peel DC Rates for residential properties are on the high end of the comparator group.

Appendix I illustrates a comparison of the estimated “all in” DC rates in selected GTA municipalities for the single-detached/semi-detached, rowhouse/other multiples, large apartment, small apartment, industrial and non-industrial categories respectively.

Appendix II provides a listing of the dates the other municipalities’ current DC By-laws came into effect.

3. Policy Considerations

Regional staff have reviewed policies in the current DC By-law with the view to improving cash flow and administrative processes while supporting development in the Region.

The main policies that were reviewed for consideration in the 2015 By-law update include:

- Collection of “hard service” DCs for residential properties at time of subdivision agreement
- Changing the small apartment threshold size from 750 sq. ft. to 700 sq. ft.
- Aligning the Region’s agriculture use definition with the Town of Caledon’s definition
- Introduction of single/semi-detached and rowhouse/other multiple residential categories in place of the current “other residential” category
- Introduce change of use policy

a) Collection of Hard Service DCs at the Time of Subdivision Agreement

i. Current Legislative Framework and Regional Policy in Relation to the Timing of DCs Collection

The current legislative framework allows a municipality to collect DCs for the following hard services at time of subdivision agreement:

- Water supply services, including distribution and treatment services,
- Waste water services, including sewers and treatment services,
- Storm water drainage and control service,
- Services related to a highway as defined in subsection 1 (1) of the *Municipal Act, 2001* or subsection 3 (1) of the *City of Toronto Act, 2006*, as the case may be, and
- Electrical power services.

All three area municipalities in Peel currently collect DC at time of building permit issuance for themselves and on behalf of the Region. Most neighbouring Regional municipalities collect "hard service" DCs for residential development at time of subdivision agreement. Preliminary research and discussions with other municipalities suggest that in municipalities that require hard service DCs be paid at time of subdivision agreement, non-residential development is generally excluded as well as high density blocks (apartments), which are usually collected at building permit issuance. The following table shows the collection timing in several major Ontario municipalities.

Figure 6 – Hard Service DC Payment Timing-Ontario Major Municipalities

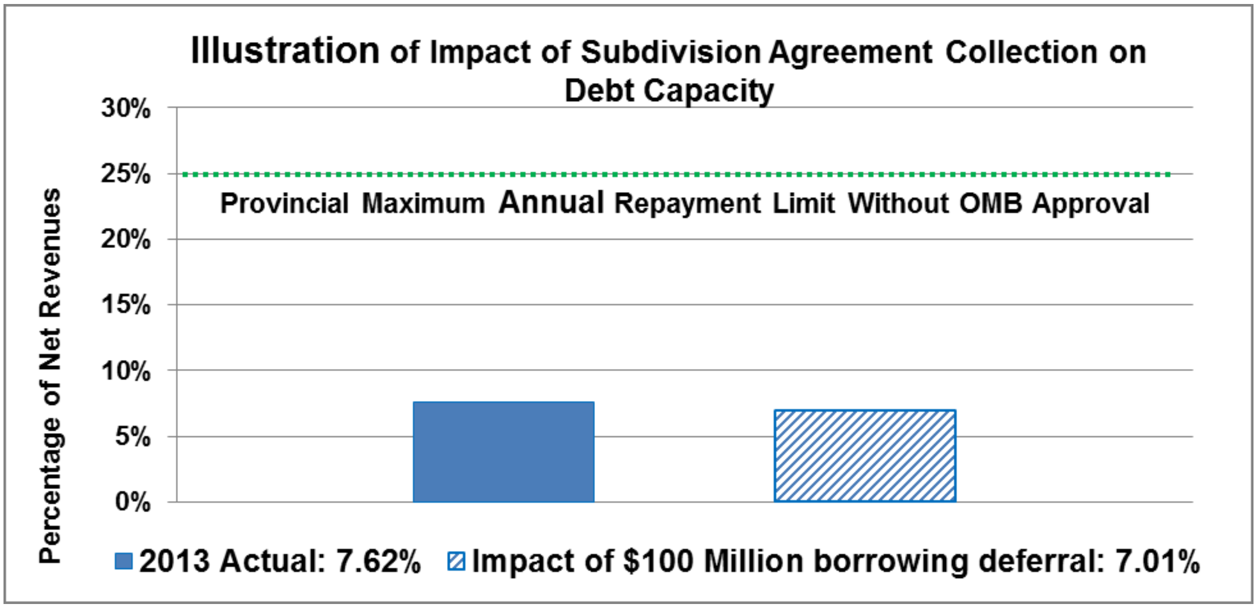
Municipality	Hard Service DC Collection Timing	
	At Subdivision Agreement	At Building Permit
Peel		Residential/Non-Residential
Halton	Residential	Non-Residential
Toronto	Residential/Non-Residential	
York	Residential	Non-Residential
Durham	Residential	Non-Residential
Ottawa		Residential/Non-residential
Hamilton		Residential/Non-residential
Waterloo		Residential/Non-Residential
Barrie	Residential	Non-Residential

ii. Potential Financial Impact on the Region

The collection of hard service DCs at the time of subdivision agreement would slightly reduce or defer the need for the Region to issue debt to support the Region's growth program. Based on in-house analysis, building permits are pulled on average eight months after plan of subdivision agreement. The eight month period between plan of subdivision execution and building permit issuance is less than Regional staff's original anticipation of two years that was based on preliminary data. Financial savings to the Region as a result of earlier collection would accrue to the Development Charge reserves and therefore put downward pressure on future DC rates paid by the development community. However, developer financing of the earlier payment to the Region, would offset the benefit to new home buyers.

It is estimated that approximately $100 million in DC related borrowing could be deferred as a result of this potential change. The following chart shows the relative impact of deferring $100 million in borrowing on the Regions annual debt capacity in relation to the Province's Annual Repayment Limit (ARL) based on the most current provincial statements. The impact is equivalent to 0.6 per cent of net revenues.

Figure 7 – Shows 0.6 % impact of $100 million in borrowing



iii. High-Level Administrative Considerations

Collection of hard service DCs at subdivision agreement time would result in DC payments being made at two different times in the process. Under the *Development Charges Act,* DCs for "soft" services such as paramedics, long term care and police cannot be collected before the time of building permit issuance. The implementation of two DCs payment times and two points of collection (Area and Region), from potentially two different payees (developers and builders) would require additional coordination between the Region and the area municipalities.

The amount and type of units in a subdivision can change from the time of original subdivision agreement execution. As a result, it would be necessary to continually monitor the issuance of building permits against the original plans used to determine the amount of DCs collected at the time of subdivision agreement in order to account for changes and collect the appropriate DCs. Approximately 50 subdivision agreements containing over 5,000 residential dwellings are entered into annually and each of these will need to be regularly monitored and reconciled.

Under the current system it is generally the builders that pay the DCs when building permits are issued. The new system may require developers instead of builders to pay DCs at time of subdivision agreement, thereby necessitating greater coordination between developers and builders in relation to DC payment. A similar situation could result between developers and builders when blocks are split between different subdivisions. New protocols would need to be established to manage these new processes.

iv. Options for DC Collection and Potential Impact on Key Stakeholders

Regional staff have consulted internally and with the other municipalities to inform possible options regarding the timing of DCs collection as follows:

1. The area municipalities continue to collect all DCs at the time of building permit issuance on behalf of the Region (Current Process),

2. The Region directly collects the “hard service” DCs for residential development excluding apartment blocks on its own behalf at time of subdivision agreement, or

3. The area municipalities collect the “hard service” DCs for residential development excluding apartment blocks at the time of subdivision agreement on behalf of the Region.

Soft service DCs and apartment blocks would continue to be collected at building permit issuance by the area municipalities in all three options.

Based on Regional staff discussions with key stakeholders and preliminary analysis of the potential financial and administrative impacts of changing the current policy of collecting DCs at the time of building permit issuance, Regional staff do not recommend option 3. Option 3 would place an administrative burden on the area municipalities that would be more appropriately borne by the Region. This impact would be most acute in the City of Brampton where the majority of subdivision agreements are being entered into. City of Brampton staff identified that there would be a resource requirement similar to the Region’s if the City of Brampton staff were required to manage this potential new process for the Region.

Regional staff recommend that the Growth Management Committee and Regional Council consider option 2 as presented below for inclusion in the 2015 DC Background Study and By-law.

Option 1 – Current Process / Collection of all DC at the Time of Building Permit Issuance

The current collection process for the Region is that all DCs are collected at time of building permit issuance by the area municipalities on behalf of the Region. When builders go to the area municipalities to acquire building permits they also are required to pay all the applicable development charges for the Region, the area municipalities and the Boards of Education. The DCs that the area municipalities collect on behalf of the Region are remitted to the Region on a monthly basis. This well-established process provides “one-window” payment for builders and eliminates duplication in the DC payment process.

Option 2 – Residential Hard Service DC Collected at Subdivision Agreement by the Region

This approach is generally consistent with the approach used at Durham, Halton and York Regions. The potential financial and administrative impacts (relative to the current collection process) to the Region, the area municipalities and the development community are outlined in the following table.

If Region Council decides to implement collection of hard service DCs at time of subdivision agreement as per Option 2 then it is proposed that this new requirement comes into effect 120 days after the proposed date that the new DC By-law comes into force. This would allow for coordination of new administrative processes with the area municipalities and the development community.

Figure 8 – Relative Impact of Option 2 on Key Stakeholders

Impact on the Region	
Financial	**Administrative**
▪ Potential deferral of approximately \$100 million in DC borrowing ▪ Savings from this deferral would be reflected in lower future DC rates ▪ A 0.6% per cent saving of the Region's debt capacity in relation to the provincial annual repayment limit. *See figure 10 for illustration of impact on the Region's debt capacity*	▪ 2.5 additional FTEs and associated supports at an annual cost of approximately \$300,000 to the tax base would be required ▪ Increased interaction with the area municipalities to reconcile payments ▪ One-time costs for technology and process changes
Impact on the Area Municipalities	
Financial	**Administrative**
▪ Reduced interest income as the Region will collect "hard service" residential DC directly	▪ Moderately increased demand on administrative resources to reconcile earlier DC payments with the Region
Impact on the Development Community	
Financial	**Administrative**
▪ Higher financing costs to pay hard service DC earlier	▪ Need to pay DC at two different times in the development process ▪ New processes for payment coordination between builders and developers

b) Change of Small Apartment Threshold Size from 750 sq. ft. to 700 sq. ft.

The City of Mississauga changed the threshold size for small apartments to 700 sq. ft. from 750 sq. ft. in its 2014 DC By-law update. The City of Mississauga's report titled "2014 Development Charges Background Study and By-law" justified the direction on "the basis the size of a small unit was established in 1999 based on information available at that time. Recent building trends reflect the construction of a larger number of smaller units than originally anticipated, along with the achievement of population forecast targets being achieved while DC revenue forecast fell short, which dictated that an analysis of small unit sizes be taken." The report further states that "Analysis of small unit using existing small unit parameters indicated that the number of persons per unit were greater than intended when the original unit size of (750 sq. ft.) was established.

This determination was confirmed as part of the 2011 Census data contained in the National Household Survey." The City of Mississauga's original intent was to change small apartment size to 650 sq. ft.; however, the final 2014 DC By-law resulted in 700 sq. ft. being implemented.

Regional staff have reviewed the feasibility of aligning the Region's small apartment threshold with the City of Mississauga's to ease administration with the area municipality expected to have the most of these units over the medium-term and help ensure the revenue from the mix of residential units is closer to forecast. Regional staff have considered the following:

- The City of Mississauga's 700 sq. ft. small apartment threshold is under appeal at the Ontario Municipal Board (OMB).

- Aligning the Region's small apartment size to the City of Mississauga's current small apartment would result in the Region's small apartment size not being synchronized with the City of Brampton's (750 sq. ft.) and the Town of Caledon's ($70m^2$).

Based on these factors, Regional staff recommend leaving the Region's threshold size for small apartment at 750 sq. ft. for further review and potential consideration in the proposed 2017 or future DC By-law updates, once the OMB appeal against this threshold size in Mississauga has been concluded.

c) Review Agricultural Use Definitions

Enquiries have been made regarding the potential to further align the application/interpretation of the Region's DC By-law with Caledon's DC By-law in relation to various types of agriculture-related developments in Caledon.

The Region of Peel's current DC By-law exempts DCs in respect of land developed for an agricultural use. This is a discretionary exemption and is not mandated by the *Development Charges Act*. The Town of Caledon DC By-law has a number of discretionary exempt categories relating to agricultural development such as a farm winery and farm cidery construction that the Region does not. To qualify for these exemptions in Caledon, one has to be a bona fide farmer (i.e. "currently actively engaged in a farm operation with a valid Farm Business Registration number in the Town of Caledon".) To be eligible for a Farm Business Registration Number, the applicant must have gross farm income of $7,000 or more declared for income tax purposes.

Appendix III shows the list of exemptions and agricultural development definitions at the Region and the Town of Caledon.

Data is currently unavailable to accurately assess the financial and administrative impacts on the Region from this potential change.

The Region currently has DC debt of $1.273 billion, translating to approximately $90 million in annual debt servicing/financing costs. New exemptions will further negatively impact the Region's ability to pay down the DC debt and sustain the DC program and support Regional Council's principle that growth should pay for growth.

If Regional water and water services are not currently available or planned to be available at the location of a development within two years after issuance of a building permit, payment of the water and wastewater portions of the DCs is not required. As a result, a number of developments in Caledon are not required to pay the Regional water and wastewater DCs which make up a majority of the DC charge.

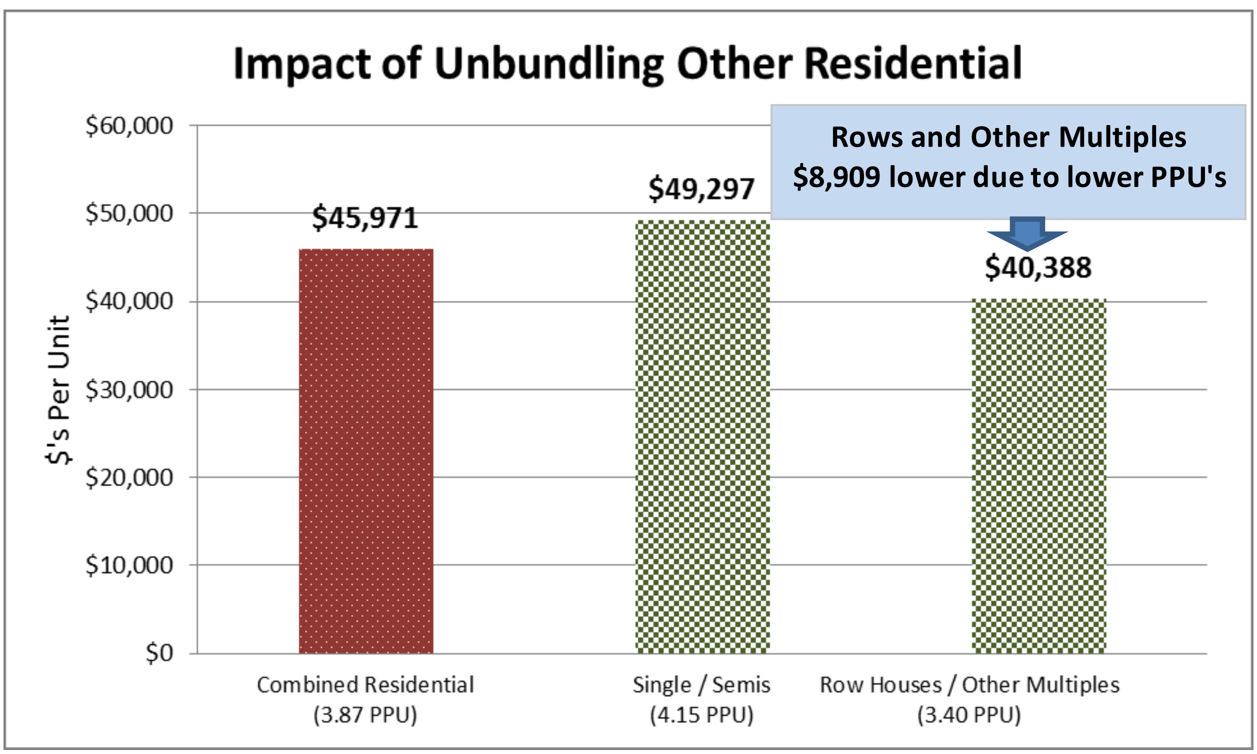
Based on these factors, Regional staff recommend maintaining the existing Regional agriculture exemption policy. This policy may be revisited in future DC By-law updates.

d) Introduce Separate DC Rates for Single/Semi-detached and Rowhouses/Other Multiple Residential Types

During stakeholder discussions BILD representatives questioned if a new grouping of categories would be created for row houses and other multiples. In the current Regional DC By-law, single-detached, semi-detached, rowhouse, town house and other multiple residential types are grouped as “Other Residential” and charged one DC rate. Unbundling of other residential would not impact overall residential DC revenue, however, rowhouse, townhouse and other multiples have a lower PPU compared to single/semi-detached and would pay a lower DC rate as a result. This change would support the Region’s Affordable Housing Strategy and Peel’s Official Plan and intensification objectives without any loss in DC revenues.

The following chart illustrates the impact of unbundling the Other Residential category and creating new rate categories for single and semi-detached units and rowhouses and other multiples respectively.

Figure 9 – Preliminary DC Rate Impact of Unbundling Other Residential



Regional staff recommend that respective single/semi-detached and rowhouse/other multiples categories be introduced in the 2015 DC By-law in place of the current other residential category.

e) Change of Use Policy

The Region's current DC By-law outlines a "redevelopment" policy in respect of a demolished building or structure but does not explicitly support current practices relating to change of use. The current DC By-laws of the area municipalities all reference policies relating to redevelopment, conversion or change of use situations. In order to ease administration of redevelopment and change of use cases, Regional staff propose that a "change of use" policy supported by the following definition be included in the appropriate sections of the proposed 2015 DC By-law:

"Redevelopment" means the construction, erection or placing of one or more buildings or structures on land where all or part of the building or structure has previously been demolished on such land, or changing the use of a building or structure for any of the following:

- from residential to non-residential
- from non-residential to residential
- from industrial to other non-residential
- changes in the mix of residential units in a mixed use or multi-residential building or structure

f) Other Policy Considerations

In response to a Staff Direction from a previous Regional Councillor, Regional staff reviewed the potential to exempt minor accessory buildings on institutional lots. Consistent with Regional Council direction to undertake this DC By-law update to ensure financial sustainability, Regional staff do not recommend any additional exemptions.

4. Stakeholder Engagement

Regional staff have met and had consultations with staff in other municipalities who have implemented the DC policies under consideration as well as with area municipal staff on the impact of policy changes in Peel.

The Region has had a number of meetings with the development community to discuss the way forward on various inputs and policy proposals for implementation in the proposed 2015 By-law. The Region has also provided the 2015 Capital Plan to the Building Industry and Land Development Association (BILD) for their detailed analysis. The Region will present new preliminary DC rates for BILD to review prior to the proposed May 28, 2015 Public Meeting.

Appendix IV provides a listing of the stakeholder engagement that has occurred leading up to the 2015 DC update.

Transition Period

In adopting the 2012 DC By-law Regional Council directed the Chief Financial Officer to commence a background study if the rate would require a 20 per cent increase and to notify the development community of the upcoming new by-law one year in advance to serve as a transition. While this update resulted from Regional Council's direction, rather than the 20 per cent trigger, the one year notification in-lieu of transition was none-the-less honoured with the proposed adoption of this by-law on July 9, 2015.

5. Impact of Bill 73

The Province's proposed "Bill 73 *Smart Growth for Our Communities Act, 2015"* has introduced several amendments to the *Planning Ac*t and the *DC Act, 1997*. Key proposals in Bill 73 if approved will:

- Expand the number of services (e.g. waste diversion) for which DC can be collected,
- Reduce the number of services subject to the 10 per cent mandatory discount, and
- Adopt a more forward-looking approach to determining service level standards.

The proposed changes partly reflect the Region's position in its January 2014 submission in response to the Province's October 2013 to January 2014 consultations. Other proposals in Bill 73 have implications for the timing of DC collection and the scope of growth financing options. Regional staff will report back to Regional Council on the progress of Bill 73 and implications to the Region when further details are available. The regulations enabling these changes are not anticipated to be in force before the 2015 DC By-law update.

FINANCIAL IMPLICATIONS

The updating of the DC By-law will help the Region in ensuring that the growth program remains financially sustainable. Based on proposed rates, the Region's debt level will level off at $2.8 billion compared to 2012 DC By-law forecast of $2.6 billion. Between 2015 and 2031, the Region's Annual Repayment Limit will peak at 15 per cent compared to the Provincial maximum of 25 per cent of own source revenues.

The policy option of the Region centrally managing the collection of hard service DCs at the time of subdivision agreement is expected to result in the deferral of approximately $100 million in DC debt for the first year. Financial savings as a result would accrue to the Development Charge reserves and therefore put downward pressure on future DC rates paid by the development community.

It is expected that 2.5 additional FTEs will be required in the short-term to medium-term to record and reconcile the collection of DCs for subdivision agreements. The additional FTEs can be funded by 2015 working funds reserves and then added to the 2016 budget. This would have an estimated impact of $300,000 on the 2016 tax supported operating budget.

CONCLUSION

The 2015 DC By-law update included a comprehensive review of assumptions included in the Region's DC model and ongoing engagement of the development industry. Policy recommendations and rate increases are necessary to ensure growth pays for growth to the fullest extent under the legislation and that growth is financially sustainable.

Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

Approved for Submission:

D. Szwarc, Chief Administrative Officer

APPENDICES

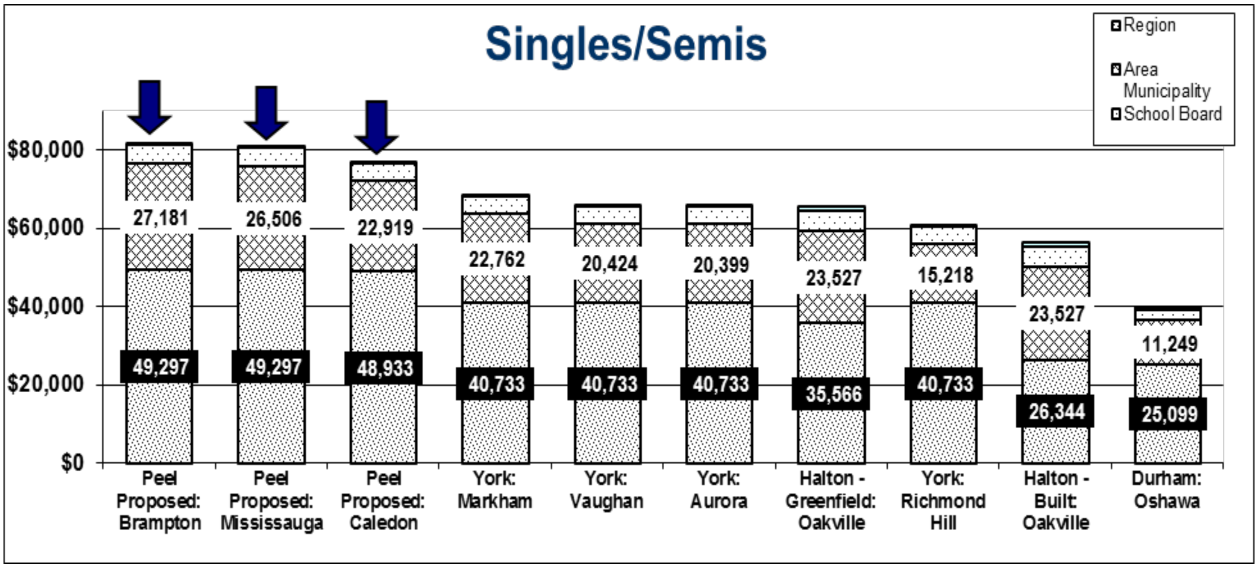
I. Comparison of estimated DC rates in selected GTA municipalities
II. Listing of the dates the other municipalities' current DC By-laws came into effect
III. Listing of exemptions and agricultural development definitions at the Region and the Town of Caledon
IV. Listing of the stakeholder engagement that has occurred leading up to the 2015 DC update

For further information regarding this report, please contact Dave Bingham, Treasurer and Director of Corporate Finance, extension 4292, Dave.Bingham@peelregion.ca.

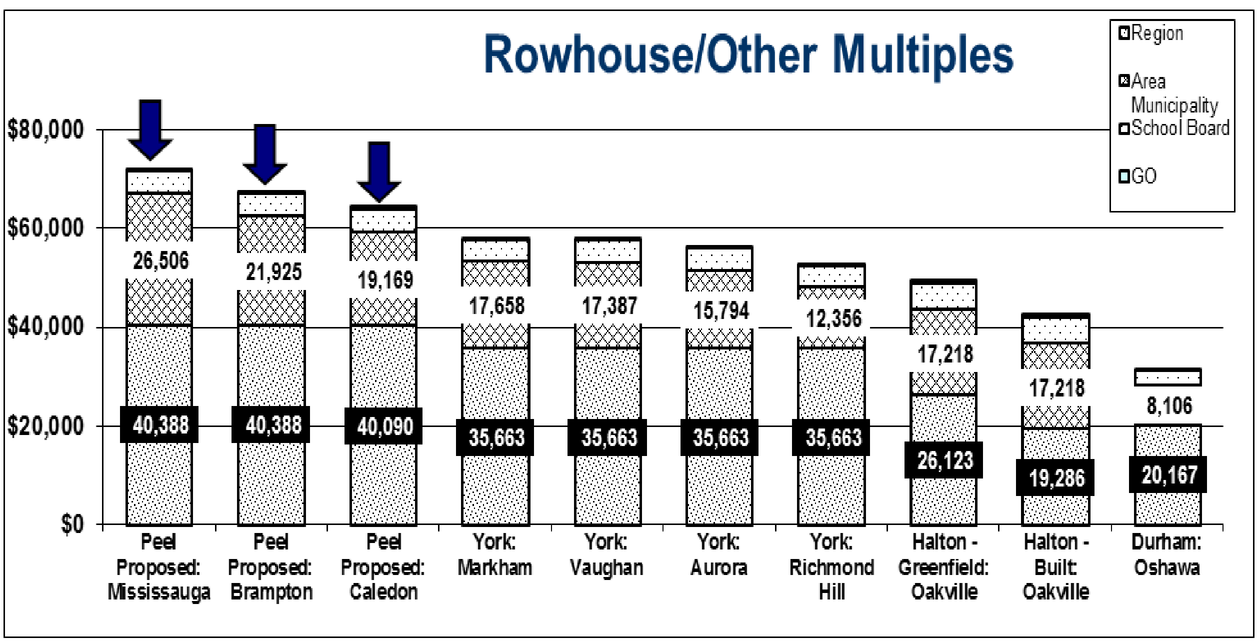
Authored By: Junior Higgins

The below charts are showing "all in" DC rates (i.e. local, regional, school board and GO Transit costs where applicable). This is necessary to make an accurate comparison since different levels of municipal government deliver different services.

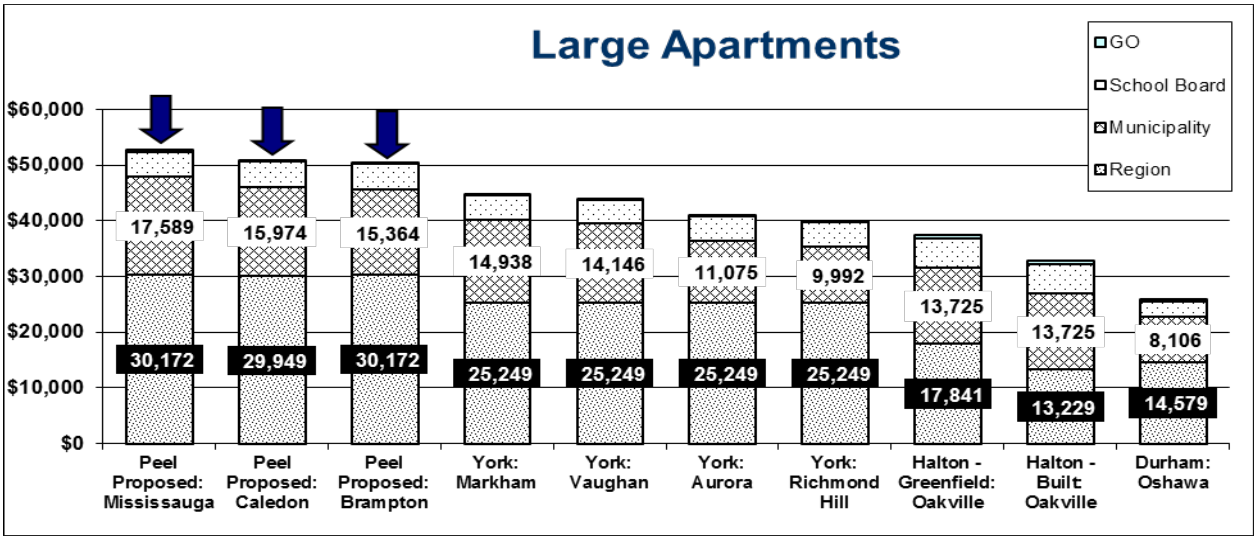
Estimated Comparative DC Rates - GTA (Singles/Semis)



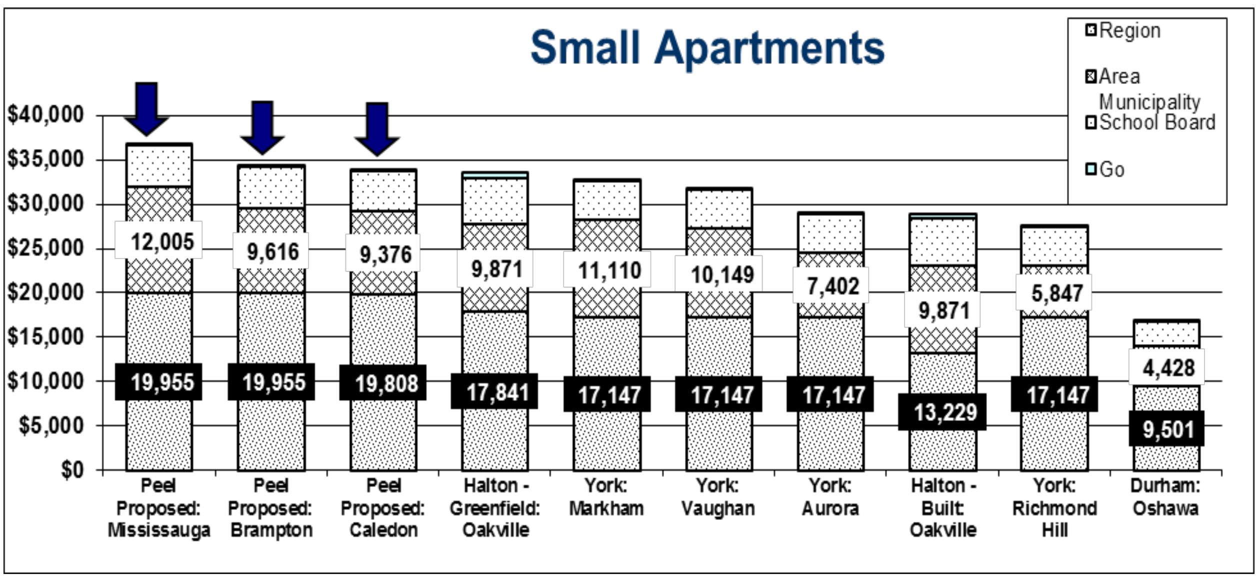
Estimated Comparative DC Rates - GTA (Rowhouse/Other Multiples)



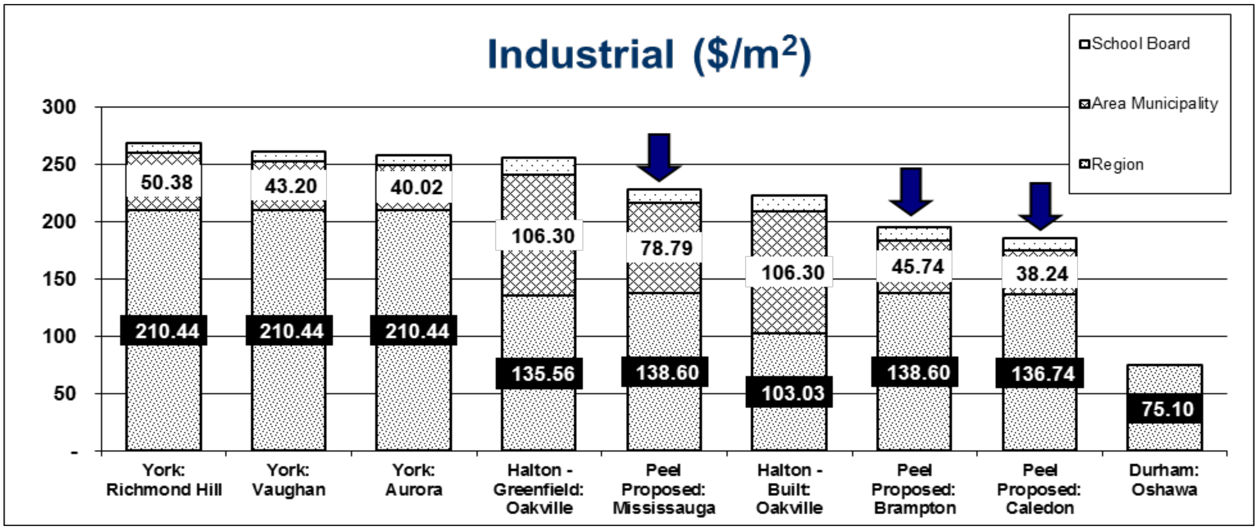
Estimated Comparative DC Rates - GTA (Large Apartments)



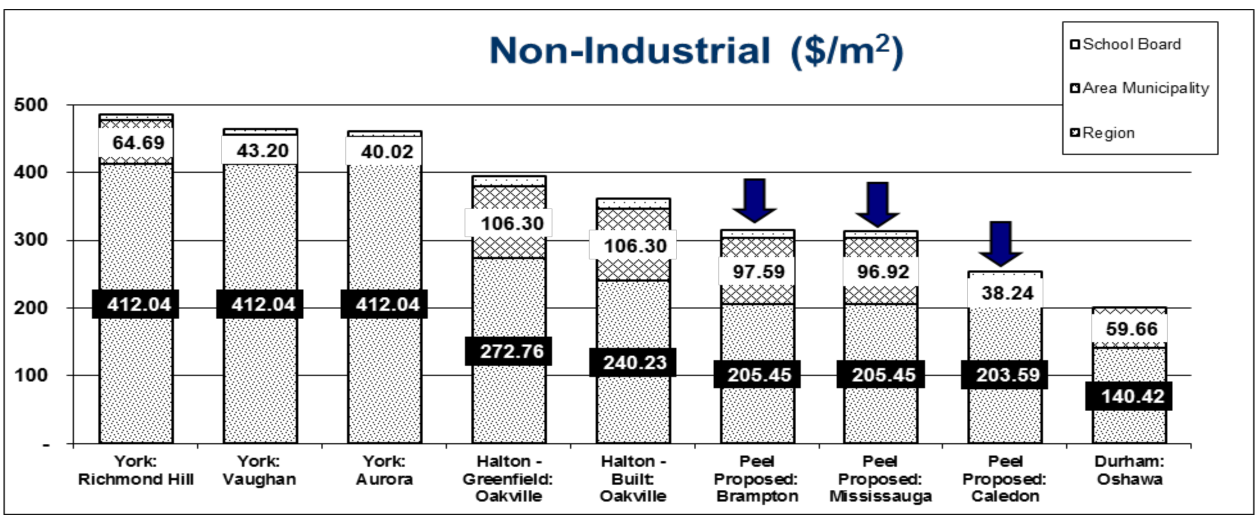
Estimated Comparative DC Rates - GTA (Small Apartments)



Estimated Comparative DC Rates – GTA (Industrial)



Estimated Comparative DC Rates – GTA (Non-industrial)



Appendix II

GTA Municipalities' Current DC By-laws Effective Dates

Municipality	**Effective Date of Current DC By-law**
Durham Region	July 1, 2013
City of Oshawa	July 1, 2014
Halton Region	September 5, 2012
Town of Oakville	March 5, 2013
Peel Region	October 1, 2012
City of Brampton	August 1, 2014
Town of Caledon	June 25, 2014
City of Mississauga	June 25, 2014
York Region	June 18, 2012
City of Vaughan	September 21, 2013
Town of Richmond Hill	June 9, 2014
Town of Aurora	April 8, 2014

Appendix III

The Region of Peel and The Town of Caledon Agriculture Use definitions

Region of Peel Agricultural Use Definition for Exemption Purposes

Agricultural Use

A use for the purpose of animal husbandry, dairying, fallow, field crops, removal of sod, forestry, fruit farming, horticulture, market gardening, pasturage, poultry keeping and any other use customarily carried on for the purposes of a bona fide farming operation, but does not include a residential use on lands that are developed for an agricultural use;

Town of Caledon Agriculture-related Definitions for Exemption Purposes

Agricultural building or structure

A building or structure that is used for the purposes of or in conjunction with animal husbandry the growing of crops including grains and fruit market gardening horticulture or any other use that is customarily associated with a farming operation of a bona fide farmer

Agricultural tourism building or structure

A building or structure or part of a building or structure located on a working farm of a bona fide farmer for the purpose of providing enjoyment education or active involvement in the activities of the farm where the principal activity on the property remains as a farm and where products used in the activity are produced on the property and or are related to farming The building or structure may be related to activities such as a hay or corn maze farm related petting zoo hay rides and sleigh buggy or carriage rides farm tours processing demonstrations pick your own produce a farm theme playground for children farm markets farm produce stands and farmhouse dining rooms

Bona fide farmer

An individual currently actively engaged in a farm operation with a valid Farm Business Registration number in the Town of Caledon

Farm based home industry building

An accessory building to a single detached dwelling where a small scale use is located which is operated by a bona fide farmer which is located on and is subordinate or incidental to a permitted farm operation which is associated with limited retailing of products created in whole or in part in the accessory building performed by one or more residents of the farm property and may include a carpentry shop a craft shop a metal working shop a repair shop a farm equipment repair shop a farm tractor repair shop a plumbing shop an electrical shop a welding shop a woodworking shop a blacksmith a building for the indoor storage of school buses boats snowmobiles or similar uses but shall not include a motor repair shop or vehicle paint shop

Farm winery and farm cidery

“Buildings or structures used by a bona fide farmer for the processing of juice grapes fruit or honey in the production of wines or ciders including the fermentation production bottling aging or storage of such products as a secondary use to a farm operation The winery or cidery may include a laboratory administrative office hospitality room and retail outlet and if required must be licensed or authorized under the appropriate legislation

On farm diversified use building or structure

A building or structure secondary to the principal agricultural use of the property by a bona fide farmer including home occupations farm based home industries and uses that involve the production and sale of value added agricultural products and excludes uses that involve lease of Commercial industrial space

Appendix IV
Stakeholder Engagement

Growth Management Committee

Since 2013, eight (8) separate Growth Management Committee meetings have been held that have provided opportunities to share information and gather stakeholder input into growth management issues, sustainable financing options as well as planning and servicing options.

Growth Management Workshops

Since 2013, four (4) Growth Management Workshops have been held on a series of topics including:

- Growing Where We Invest (1 and 2)
- Sustainable Financing of Growth
- Employment Trends

These workshops have provided opportunities to share information impacting the financing of growth as well as gather input from stakeholders.

2015 Stakeholder Engagement with the Building Industry and Land Development Association (BILD)

February 11th – BILD Meeting – 2015 Capital Plan

- A preliminary meeting was held with BILD staff and the details of the Region's 2015 growth related capital plan were shared.

February 18th – Building Industry Liaison Team (BILT) Meeting

- This meeting was well attended by the development community. A high level presentation on the 2015 DC update process was given.

March 9th – BILD/Region Engagement

- Two meetings were held. At the first Watson & Associates staff reviewed the overall methodology and approach for the 2015 DC update with BILD staff and their financial consultant Altus Group. A second meeting included BILD consultants from RJ Burnside and Associates and the BA Group and Public Works staff. A preliminary review of the 2015 Capital Plan was held.

April 7th – The Region's Public Works Department and BILD Consultant Technical Reviews

- Focused sessions on review of roads, water and wastewater programs with BILD consultants and Region Public Works staff.

April 7th – Finance and BILD Growth Estimate and Draft Rate Reviews

- Meeting involving Watson and Associates Limited, the Region's Integrated Planning Department and Finance Department staff to review growth estimates and preliminary DC rates with BILD and Altus Group.

Development Charges Update

Growth Management Committee

April 30, 2015

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Agenda

- Background
- Growth Management Program
- Growth Forecasts
- Preliminary DC Rate Changes
- DC Policy Considerations
- Stakeholder Engagement Process
- Bill 73
- Future Work
- Summary of Recommendations (2015 DC Review)

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Background

- 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
- 2015 Capital Plan: Shortfall 20.6%

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Growth Management Program

- Supports Long-term Financial Planning Strategy including principle that "growth should pay for growth"

- Key Components of Growth Management Program include:

  - 2015 DC By-law update focused on updating DC rate and policies within the current DC legislative framework using 2031A Provincial growth forecasts and associated Regional master servicing plans

  - 2017 DC By-law update based on 2031B and 2041 Provincial growth forecasts and related master servicing plans to be developed

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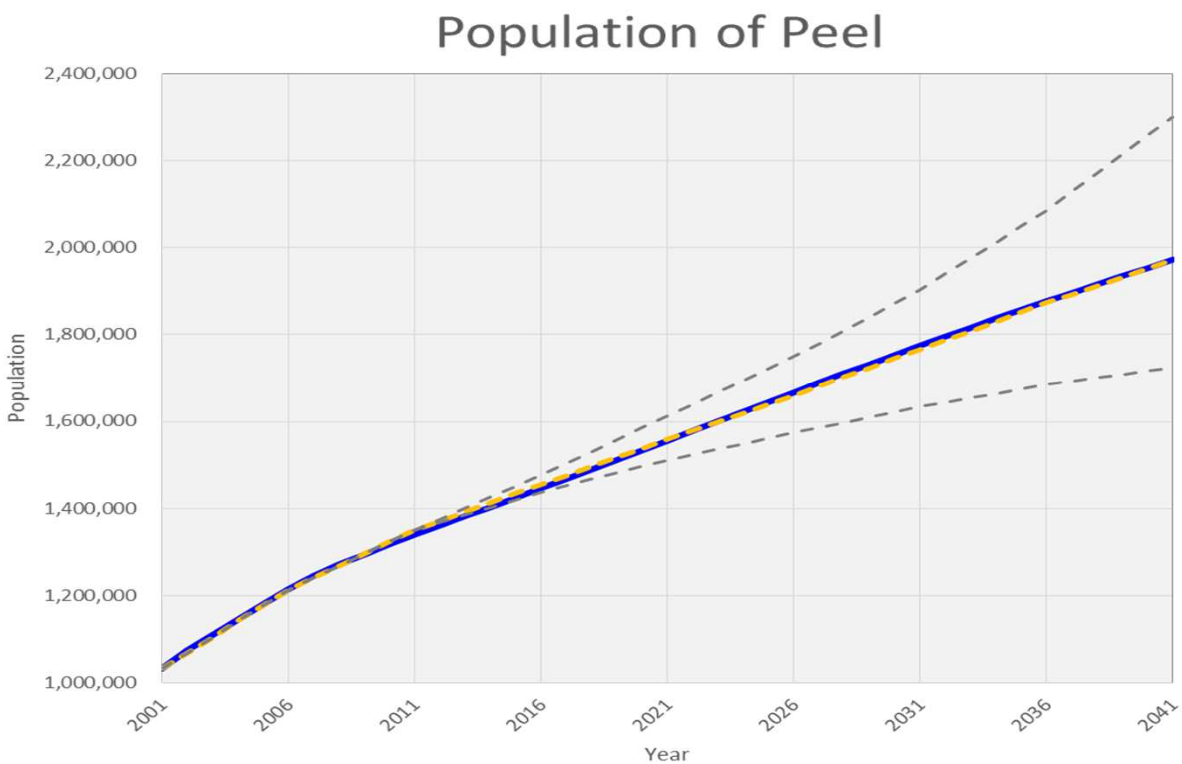
Growth Forecasts

- Working towards 2031A provincial Places to Grow growth forecasts
- Employment forecast timing updated
- Growth assumptions reviewed and grounded

Peel Expected to Achieve P2G Population Forecast



Prosperity at Risk is able to align to P2G's Region of Peel reference scenario population projections

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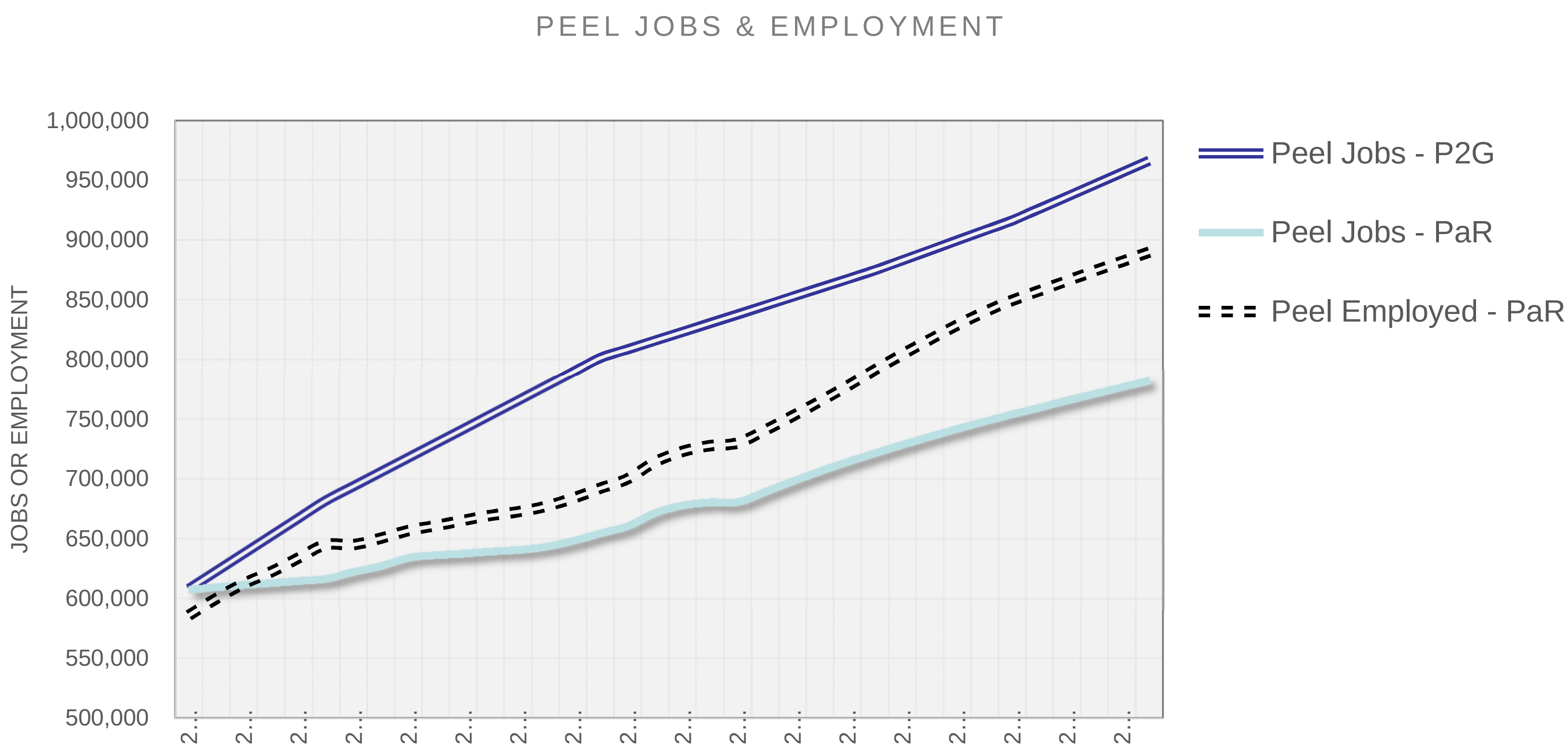
Will Peel Achieve P2G Employment Forecast?



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DC Cost Distribution

Growth-related Costs

Residential Development DC Rates

Non-residential Development DC Rates

- 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

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% PPU and FSW Changes

Assumptions	2012 DC Study	2015 DC Update	% Change
Residential - PPU			
Other Residential	3.50	n/a	n/a
Singles/Semis	n/a	4.15	18.6%
Rowhouses/Other Multiples	n/a	3.40	-2.9%
Small Unit	1.30	1.68	29.2%
Apartment	2.50	2.54	1.6%
Non-Residential - FSW - M^2/ Worker			
Industrial	90	149	65.6%
Non-Industrial	35	37	5.7%

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Residential and Non-Residential DC Rate Changes

Type of Development	Current Rates	Preliminary Rates (March 2015)	Amount of Change $	% Change
Residential				
Other Residential *	$36,402	$45,971	$9,569	26.3%
Singles/Semis	n/a	$49,297	$12,895	35.4%
Rowhouses/Other Multiples	n/a	$40,388	$3,986	10.9%
Small Unit (<750 sq. ft.)	$13,521	$19,955	$6,434	47.6%
Apartment (>750 sq. ft.)	$26,002	$30,172	$4,170	16.0%
Non-Residential				
Industrial (per. M^2)	$137.06	$138.60	$1.54	1.1%
Non-Industrial (per M^2)	$199.57	$205.45	$5.88	3.0%

* Based on recommendation, the other residential rate will not be in effect in the new By-law, it is included for comparative purposes only

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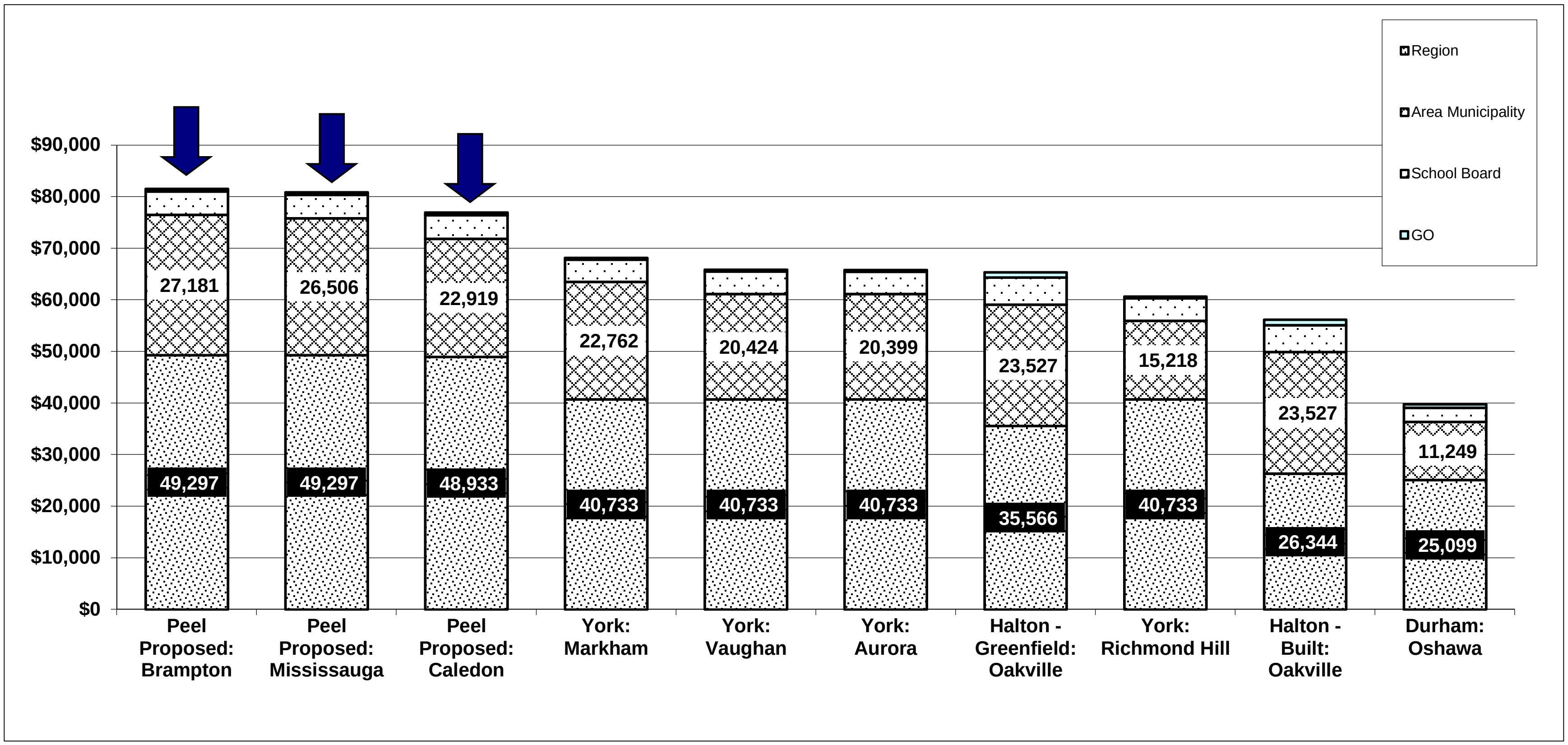
Singles/Semis Rates Comparisons – GTA Municipalities



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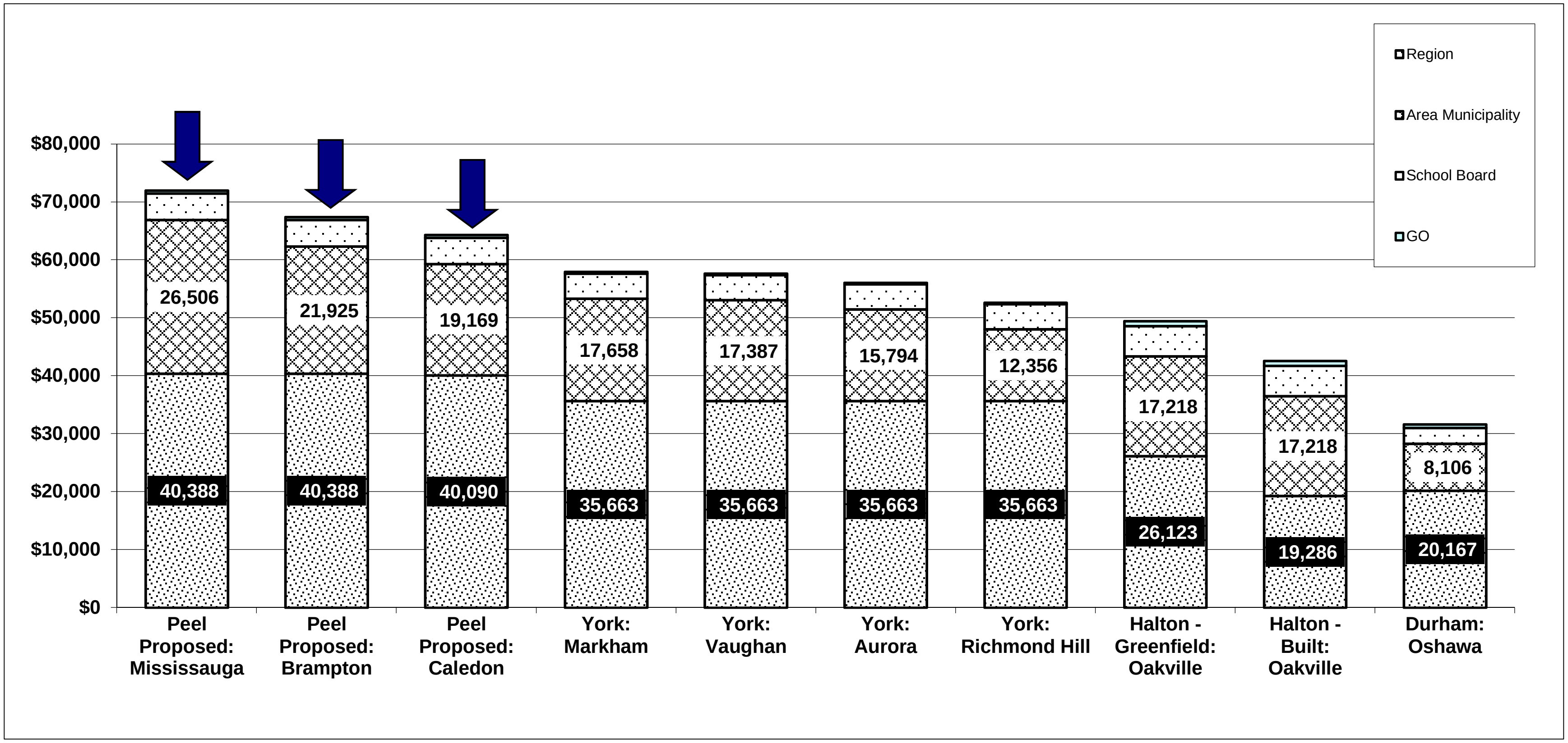
Rowhouse/Other Multiples Rate Comparisons – GTA Municipalities



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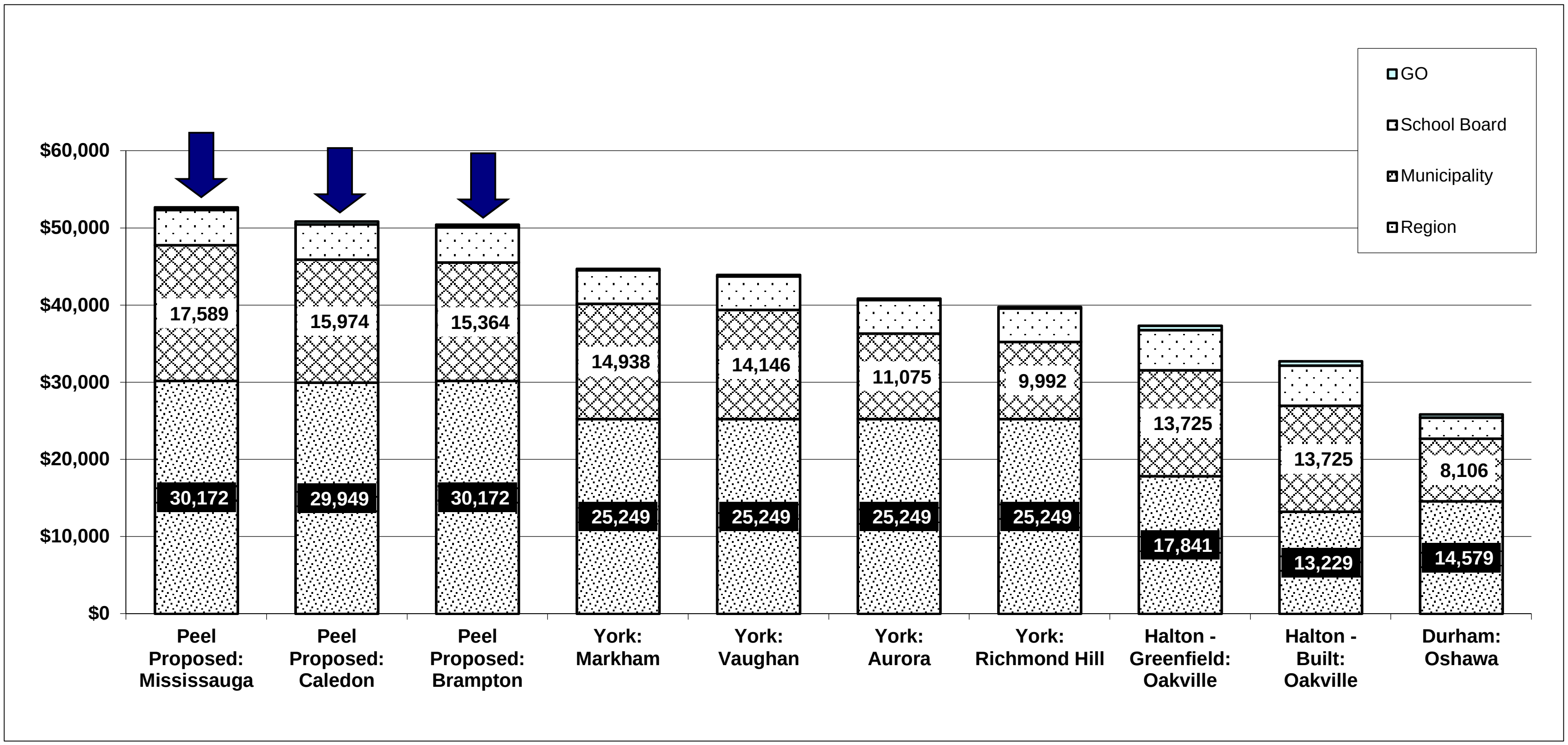
Large Apartment Rate Comparisons – GTA Municipalities



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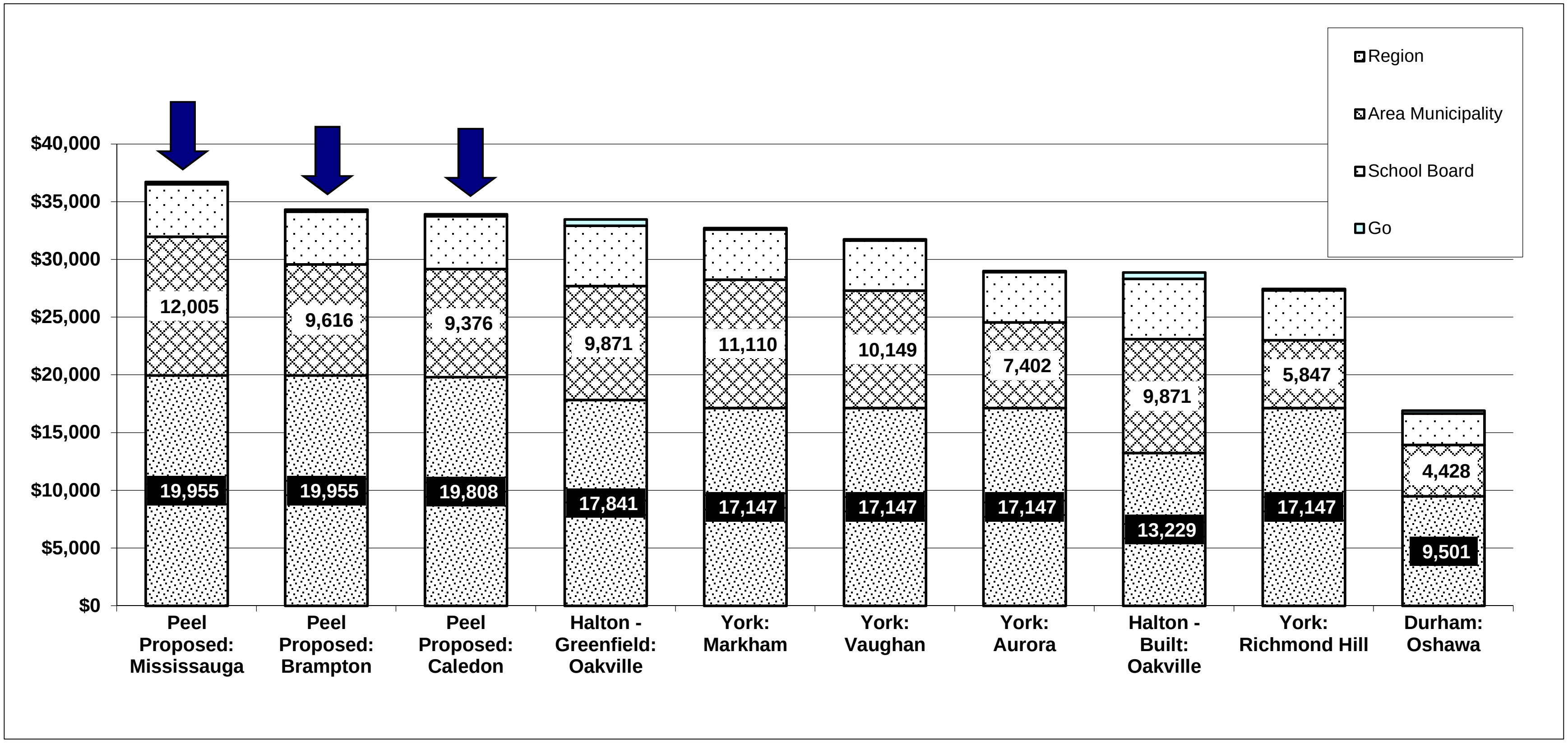
Small Apartment Rate Comparisons – GTA Municipalities



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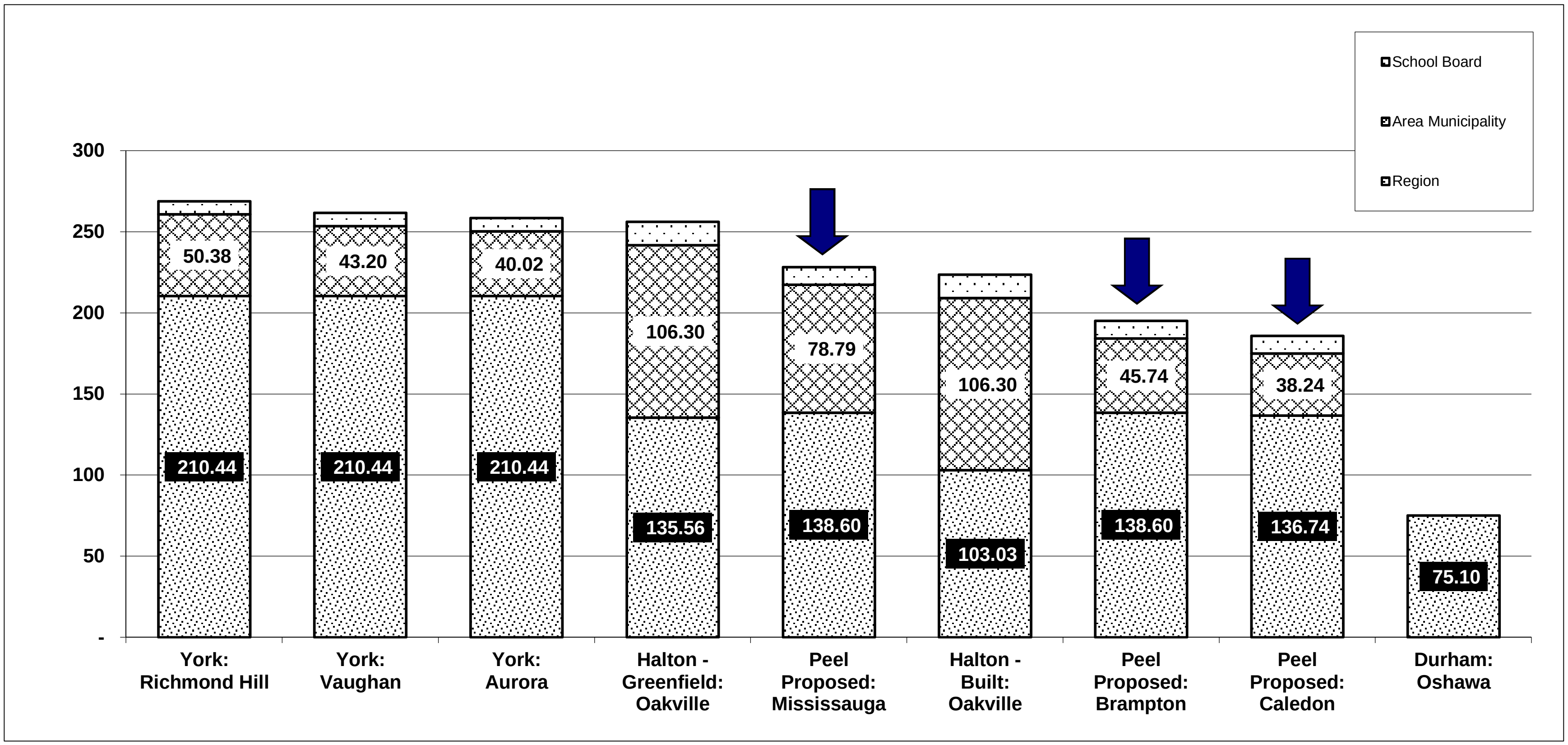
Industrial Rate Comparisons – GTA Municipalities



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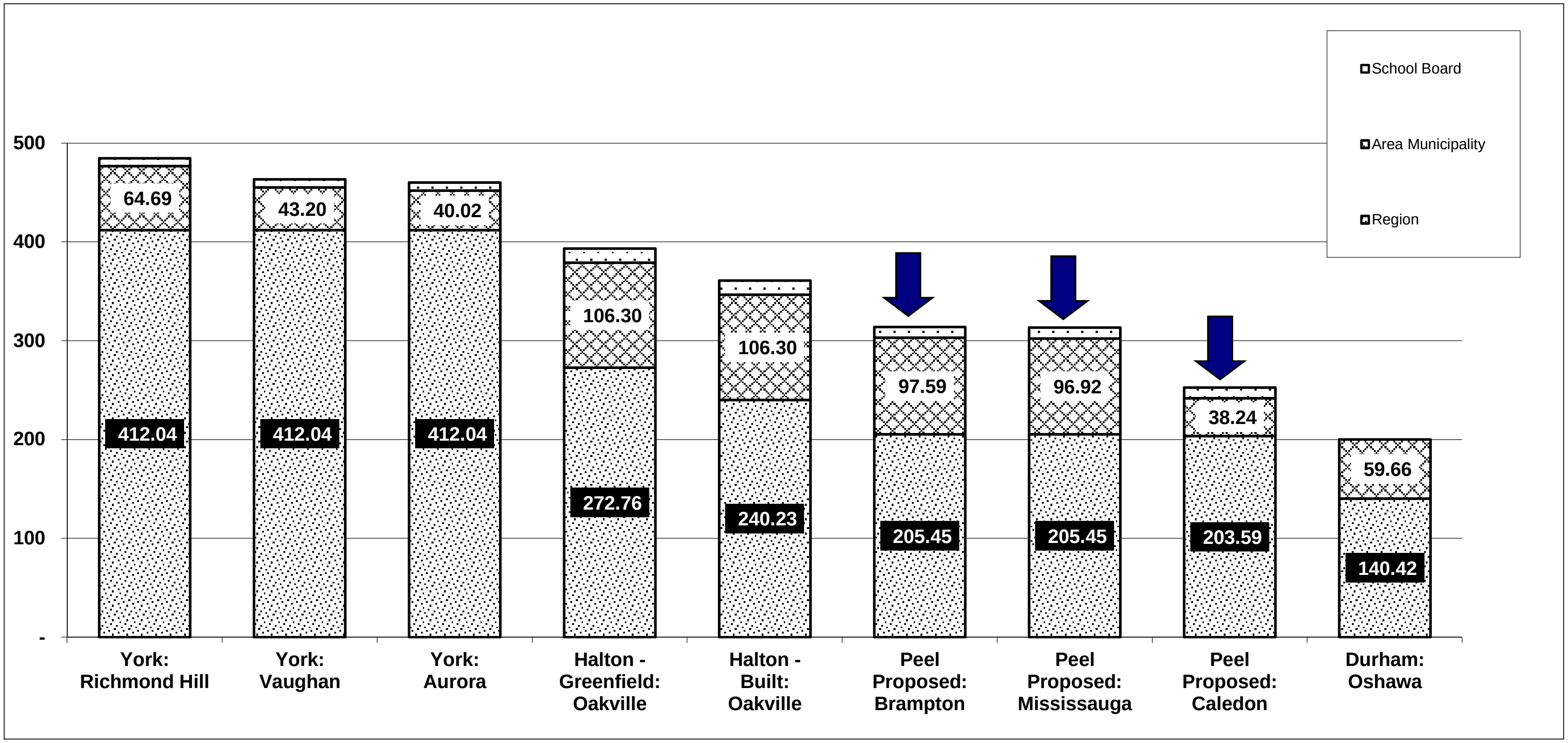
Non-Industrial Rate Comparisons – GTA Municipalities



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Key DC Policy Considerations

- Review 750ft^2 small unit threshold size
- Review and potentially revise “agricultural use” definition
- Unbundle “other residential” into singles/semis and rows/other multiple categories
- Consider collection of “hard service” DC for residential properties at time of subdivision approval

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Potential Change of Small Unit Size from 750ft^2 to 700 ft^2

- 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

- Town of Caledon has broader agricultural use definition than the Region
- Region does not charge water and wastewater where services not available
- Region supports near urban farming
- DC revenues lag forecast and more DC debt is required
- Regional DCs fund expansion of Regional services for growth
- Regional staff recommend maintaining current exemption policy

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Separate Singles/Semis and Rows/Other Multiples Categories

- 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 rowhouses and other multiples due to lower PPUs
- Supports intensification and affordable housing
- Regional staff recommend separate singles/semis and rows/other multiple rates

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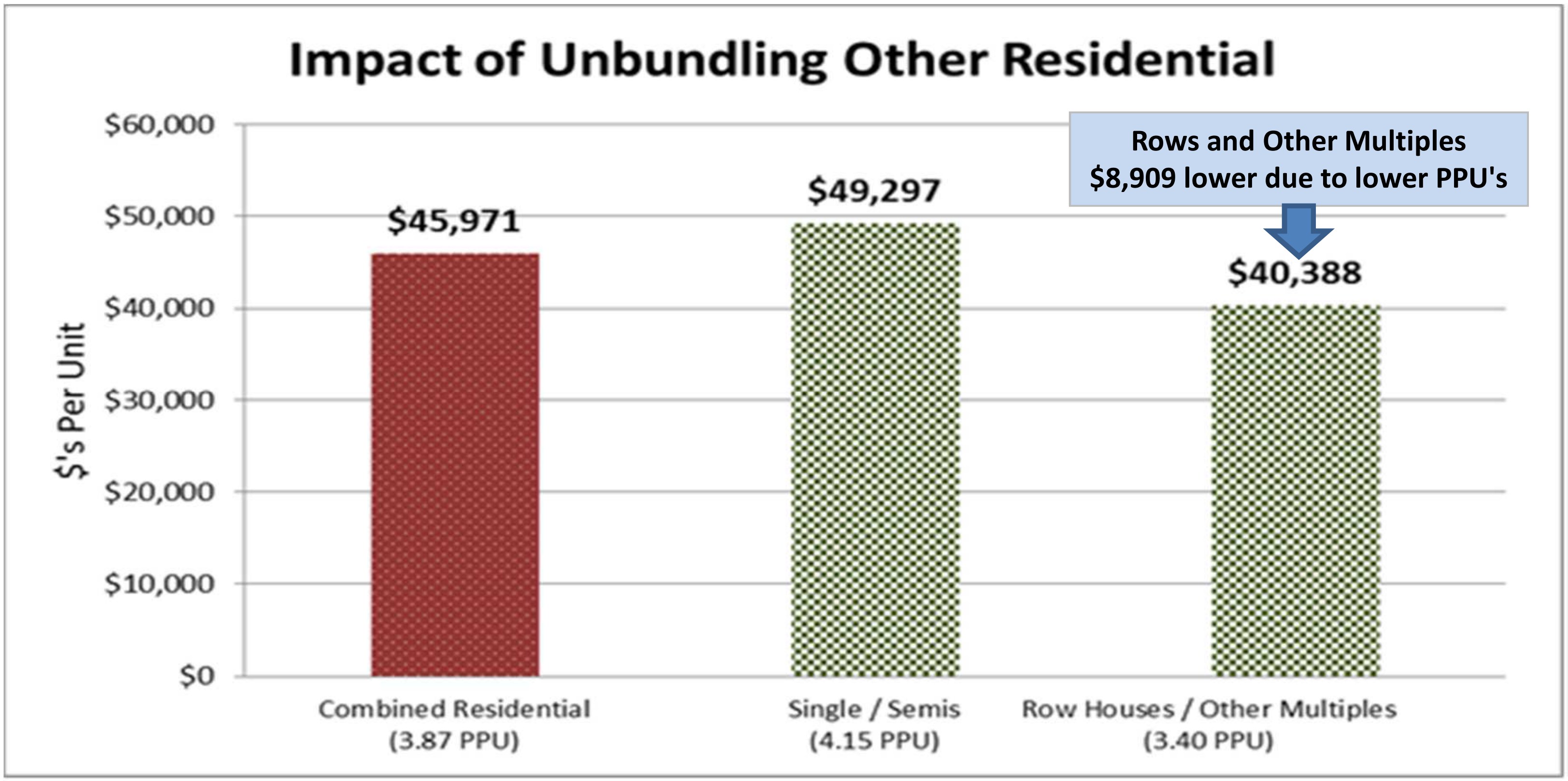
Separate Singles/Semis and Rows/Other Multiples Categories



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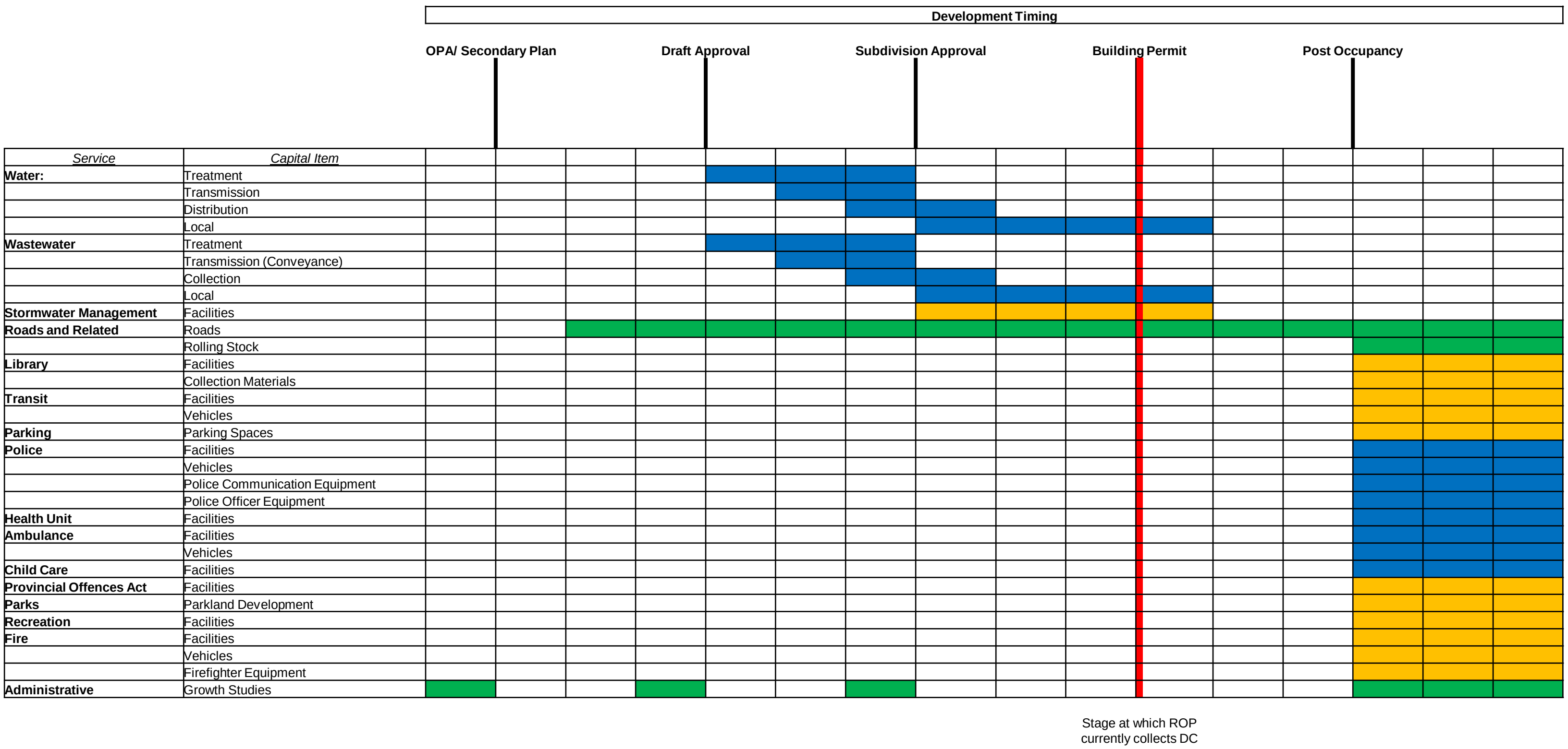
Investing in Infrastructure for Growth

Peel Assumes Risk



Blue – Region **Yellow** – Area Municipality **Green** – Area Municipality & Region

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Collect Hard Service DCs at Subdivision Agreement

- Advance payment of DCs for water, wastewater and roads eight months sooner
- Similar process followed by York, Durham and Halton
- Deferred borrowing of $100M – less than original estimate
- 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

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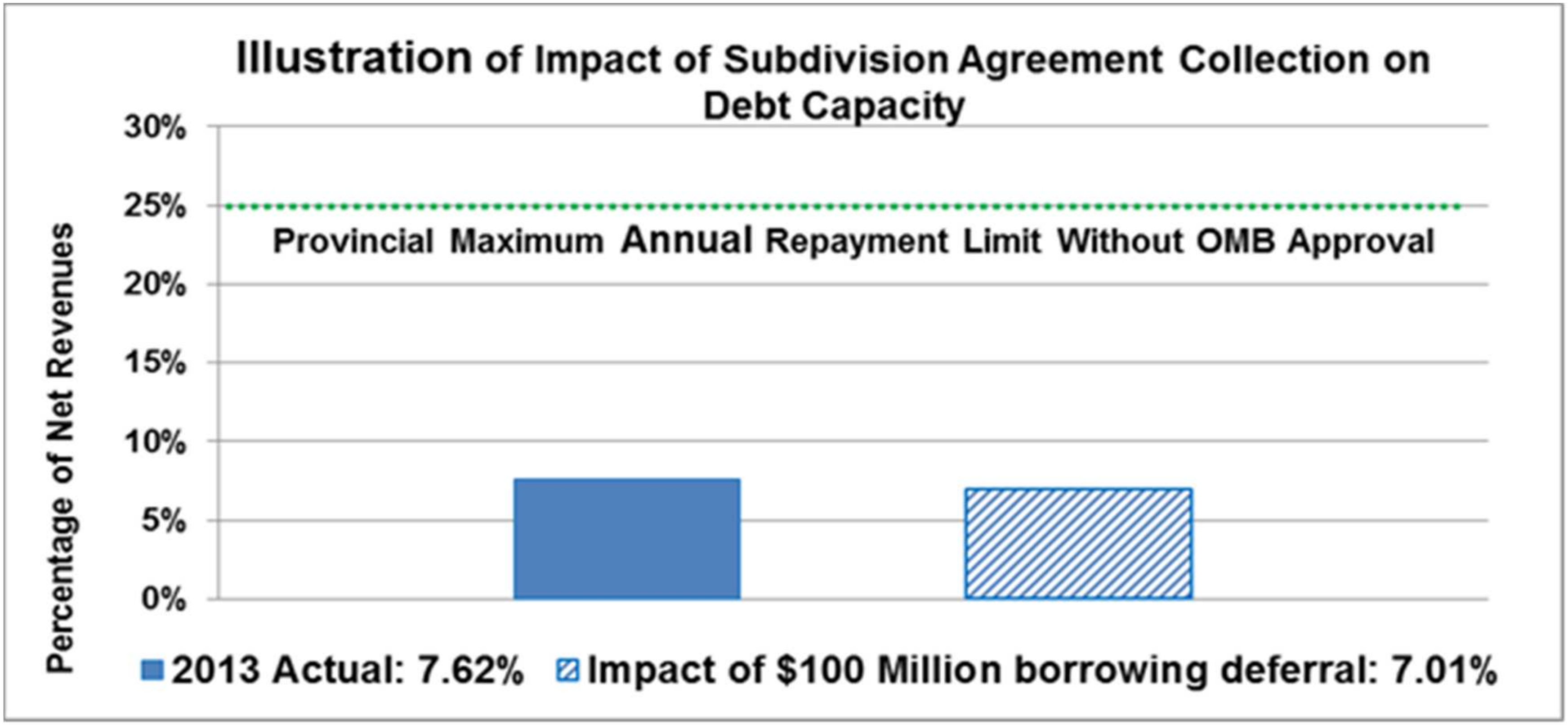
Impact of Collecting DC Sooner on the Region's Debt Capacity



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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
- Schedule a 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

2015

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

Public Meeting May 28, 2015

Release of Background Study May 14, 2015

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

We Are Here

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

Work Completed

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

Employment Trends Study (Hemson) – 2012/2013

2012

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

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Bill 73 – Proposed Changes to the DCA

Areas of Change

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

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Future Work/After 2015 DC 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
- Plan to update DC By-Law in late 2017 based on growth forecasts to 204, updated Regional master servicing plans and Bill 73
- Consider further financing options including allocation programs ("Made in Peel" solution) subject to interpretation of Bill 73

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Recommendations

- Collect hard service DC's at subdivision agreement which will come into force 120 days after passing of new By-law
- Unbundle Other Residential rate category to Single/Semi-detached and Rowhouse/Other multiples
- One year notice to the development community serves as the transition period
- Schedule May 28 Public Meeting and July 9 By-law adoption

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