Halton Region

Bill 108 Review (Schedule 3)

Development Charges Act (ERO 019-0017)

May, 2019

Finance
Office of the Commissioner
1151 Bronte Road
Oakville ON L6M 3L1

May 29, 2019

John Ballantine
Bill 108 Consultation
Ministry of Municipal Affairs and Housing
Municipal Finance Policy Branch
777 Bay Street, 13th Floor
Toronto ON M5G 2E5

Dear Mr. Ballantine:

RE: Bill 108 (More Homes, More Choices, 2019) – Growth Related Financing

Thank you for the opportunity to provide input with respect to Bill 108. This letter and the attached enclosures address changes proposed to the Development Charges Act, 1997 (DCA) and to Section 37 of the Planning Act. The proposed changes will have a significant impact on how the Region delivers its services however it is difficult to provide a comprehensive financial review of the Bill without the prescribed regulations which are a substantial part of the change.

Halton Region is a rapidly growing community and is expected to grow from 570,000 people in 2017 to 1,000,000 people by 2041 under the Growth Plan for the Greater Golden Horseshoe (the Growth Plan). While the Growth Plan has imposed financial challenges on the Region, Regional Council has committed to support the planned growth, while protecting its taxpayers from the financial impact of growth.

Despite its strong fiscal position, accommodating growth continues to be the primary challenge faced by the Region. The proposed changes will significantly impact how the Region delivers its services and its ability to recover the cost of such services. As such, at its May 22nd, 2019 meeting, Regional Council discussed the changes proposed under Bill 108 extensively. At that meeting, Council approved Report No. FN-31-19 (Re: Bill 108 – Growth Related Financing), directing Regional staff to prepare a submission to the Province on the growth-related proposed changes consistent with the direction outlined in Report No. FN-31-19. The Region's submission to the Province on the growth-related changes is enclosed herewith as Attachment #1. Report No. FN-31-19 is enclosed herewith as Attachment #2.

As noted in both the Region's submission to the Province and in Report No. FN-31-19 (Attachments #1 and #2), while the Region has done its best to evaluate the proposed changes, it is difficult to provide a comprehensive financial review of the Bill in advance of the Province's release of proposed regulations, which have great bearing on how the proposed legislative changes would be applied. As such, the Region feels that it is imperative that the Province provide further opportunity for input into the proposed regulations once they are made available.

Also at the May 22nd, 2019 meeting, Regional Council passed a Resolution opposing Bill 108 in its current state, as the Region is of the opinion that the proposed legislative changes will have negative consequences on community building and proper planning, and calling upon the Government of Ontario to halt the legislative advancement of Bill 108 to enable fulsome consultation with municipalities. The Resolution is enclosed herewith as Attachment #3.

Throughout its 30-year history, Regional Council has consistently delivered the same message: "growth pays for growth". This message was evident in the Region's response to Bill 73 in 2014 and in its response to the Provincial Housing Strategy Action Plan in January 2019. The Region's Submission with respect to Bill 73, which outlines the Region's history of growth-related financing, is enclosed herewith as Attachment #4.

The DCA is an important tool for the Region, allowing it to fund infrastructure required to support growth in a timely way and more importantly, support the objectives of the Growth Plan. The Region would be pleased to work with the Province to review the current Development Charges legislation and would welcome changes in the legislation that would support the Region in achieving its growth objectives.

If you have any questions or concerns regarding our submission or Bill 108, the Region would be pleased to meet to review and discuss.

Sincerely,

Mark Scinocca
Commissioner of Finance and Regional Treasurer
(905) 825-6005
mark.scinocca@halton.ca

cc: Gary Carr, Regional Chair, The Regional Municipality of Halton
cc: Jane MacCaskill, CAO, The Regional Municipality of Halton

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Submission re: Proposed Changes to the Development Charges Act, 1997 (Schedule 3 of Bill 108)

On May 2nd, 2019 the Province introduced Bill 108 (More Homes, More Choice Act, 2019) and asked for comments to be provided by June 1st, 2019. This submission represents Halton Region's response to the proposed legislative amendments including key comments and questions related to growth financing. In particular, these comments will address changes to the Development Charge Act, 1997 (DCA). Additionally, remarks have been provided in regards to the new Section 37 of the Planning Act (Community Benefits Charges) as services previously under the DCA may potentially be dealt with under this section.

General Observations

Bill 108 introduced many changes that have impacted several Acts. It is currently unclear the full extent of the proposed changes as the associated regulations have not been prescribed. As such there needs to be an opportunity to provide input into the regulations and address the full impact of changes once they are known.

These changes will have a significant impact on how the Region delivers its services. It is not clear whether or how these changes address the Province's goal of advancing a greater number of housing opportunities to market in a shorter timeframe. Many of the changes, especially in the short-term, appear to create a larger burden on approvals, administration and constraints on infrastructure financing required for development.

In particular, the changes would cause financial uncertainty due to timing of Development Charges (DC) collection, the gap between timing of determination and building permit, and the cap on the Community Benefits Charges. Further, there is uncertainty regarding prescribed services, transitional timing, administration and reporting. This financial uncertainty will impact long-term planning including growth related financing calculations and collection, cash flow requirements, the delivery of infrastructure, budgeting, and the resources required to address the additional administration. Any reduction in growth related financing or increase in costs will impact existing taxpayers.

The significant changes affecting development financing include:

1. Removal of soft services from the DCA to a new amended section in the Planning Act (Community Benefits Charge) to replace Section 37;
2. Timing of determination of DC rate;
3. Timing of DC collections; and
4. Exemption of Secondary Dwelling in new construction.

Subject	Halton's Recommendation
Removal of soft services from the DCA i. Eligible Services ii. Services under the Community Benefits Charges (CBC) iii. Transition	• **All growth related services should be included in the prescribed services under Section 2(4) of the DCA.** • **The eligible services should be consistent with the first Development Charge legislation (DCA 1989)**

Comments and Questions:

Although the DCA does have its limitations with respect to achieving full recovery of the cost of growth, it has been in place for over 20 years and its application has been tested through OMB appeals. The DCA is transparent and accountable.

If the Bill proceeds as currently proposed the following should be considered:

i. Eligible Services
   - Although the Region believes that all services (e.g. hospitals, administration) should be included in the DCA, at minimum the current Regional services that have potentially been removed from the DCA (Paramedic services, social housing, growth studies, facilities, waterfront parks, services for seniors) should be prescribed as they are of benefit to the entire Region. The DCA provides greater certainty in revenue collection that is needed for financial sustainability and to ensure existing taxpayers are not impacted by growth.
   - The collection of revenue is not a planning function and therefore the “soft services” should not be in the Planning Act under the CBC.

ii. Service under the CBC
   - The administration of the CBC is very cumbersome and could be costly as each planning application will need to be monitored to building permit issuance and a land valuation process will need to be in place. This will add additional timing to process applications especially in the short-term.
   - As the regulations have not been provided, it is unclear as to what services will be included/excluded from the CBC.
   - The Province has the ability to exempt certain types of development from the CBC however there has been no clarification on what these development types would be or a rational for their exemption. This could have a substantial financial impact.
   - There is no criteria identified for the calculation of the CBC (e.g. is it calculated on population/employment, land size, housing units/sq.ft?). Unlike the DCA which provides a methodology for calculation, without clear criteria there could be inconsistencies among municipalities.
   - How are conversions/demolitions dealt with in situations of intensification and redevelopment under the CBC?

- The legislation does not provide the % cap for the value of land. Financial impacts cannot be assessed without this information. Further, it is unclear how the determination of land value will be undertaken and assessed.
- The land value for assessment should be based on ultimate build out (highest and best use).
- The % cap should not be a “one size fits all”. The general costs for “soft services” are similar among the GTA however land value assessments vary significantly.
- How will the % cap be divided between a two-tier municipality system?
- The % cap on land will have an impact on budgeting and capital timing as the amount collected will be uncertain.
- How will the appraisal process work to ensure the appropriate appraisal is completed in a timely manner? In the event of a challenge, an appeal period would need to be relatively short (less than 2 weeks) as land values constantly change.
- How will the costs of appraisals be covered? This could be substantial and should be the responsibility of the development industry. If it is included in the CBC it would negatively impact collections as it would be part of the %.
- How will the special account be treated from a financial reporting perspective?
- The provision to spend or allocate 60% of the funds in the special account annually could result in bad planning (e.g. the purchase of parkland can often require revenue generated over several years).

iii. Transition

- Transitional provisions have not yet been fully prescribed and would require substantial changes to administration. At minimum the transition should not occur until the expiry of a municipality’s current DC By-law, or a DC by-law that was being updated on May 2, 2019 or 4 years from enactment of the legislative changes and associated regulations.
- The Bill includes a transitional provision for reserve balances but does not address how to deal with current DC negative balances, outstanding debt payments and commitments.

Subject	Halton’s Recommendation
Timing of determination of DC rate	• **Remain the same timing as the current DCA (e.g. subdivision/building permit)**

Comments and Questions:

The intent of this change is to provide the developers with greater certainty when developing their pro forma which is at the expense of the municipality’s revenue certainty. This will result in lower DC revenue collection as rates are determined at an earlier stage and there is no allowance for indexing or changes due to by-law updates. Over time, this will cause an upward pressure on overall DC rates and create more complexities in the DC rate calculation.

If the Bill proceeds as currently proposed the following should be considered:

- The Bill did not provide the prescribed timeframe allowed between DC rates determination and building permit issuance. An extensive period could elapse between the effective date of the DC rate and the issuance of building permit. There would need to be an expiry date within the planning approvals or an expiry date for the calculation period and the interest that is prescribed should be consistent with the Construction Price index that is currently in regulations used in DCA. The length of time a planning document (i.e. zoning or site plan) is valid for the purposes of calculation should be limited to 6 months to a year.
- Increases in infrastructure have typically risen at a level greater than inflation and therefore setting a rate several years in advance of development will create a shortfall in collection between each DC by-law update.
- The timeline provided (later of zoning or site plan) should at a minimum include subdivision.
- The timing should not be at application date but rather at the timing of an approval. If it remains at application date it should have the same meaning as considered under the current Planning Act (i.e. complete application package).
- The administration involved in the tracking of developments will have an impact on resources.

Subject	Halton's Recommendation
Timing of DC Collections	• **Remain the same timing as the current DCA (e.g. subdivision/building permit). The municipalities should have control over any deferrals as they impact cashflows. Halton already has a deferral policy in place.**

Comments and Questions:

A deferral in DC payments will further delay non-residential collection and could slow down infrastructure as there is limited financing. If debt financing is utilized there would be an impact to Halton's financial sustainability. As the DC collections are uncertain and delayed, the use of debt will impact the Region's debt capacity limits as well as place upward pressure on development charges.

If the Bill proceeds as currently proposed the following should be considered:

- The Region currently has a deferral policy for non-residential, rental and affordable housing, which has had limited uptake. There is no option to pay in full for the 5 development types. This should be an option.
- There are no definitions related to the types of development which could create confusion. Some concerns include:
    - Is Special Care/Special Needs institutional?

    - Does commercial include retail?
    - What does non-profit mean? Is it the developer/ managing company/consulting firm/financial institution etc.
- The Region provides interim financing for non-residential capital costs as a planned investment for economic development and this cost is recovered through the collection of non-residential DCs. The Region current investment is over $325 million. A deferral in DC payments will further delay non-residential collection and may limit Halton's ability to continue interim financing employment lands in the future and slow down infrastructure financing.
- The residential development types with deferred payments are from the most vulnerable development types (non-profit and rental). Paying DCs in instalments could put responsibility of default on the homeowners, unless there is a form of security (e.g Letter of Credit) other than tax roll provided.
- As properties are sold to new owners it is important for the buyer to have an understanding of any encumbrances on the property. Given that there are issues with the Land Registry Office that limit the ability to include DC related matters on title, Halton needs assurance that these can be registered on title without delay.
- How will occupancies be tracked to ensure the developers are complying with requirements?
- Buildings may proceed as rentals to evade early collection. There needs to be a strong penalty.
- The administration of the proposed changes is very cumbersome and will require process changes at both the Region and the locals. For example, in 2018 the Region had over 150 non-residential permits which under this new bill would require individual tracking for 6 years. The administration involved will have a substantial impact on resources.

Subject	Halton's Recommendation
Exemption of Secondary Dwelling in new construction	• **Any exemptions should be left to the discretion of the municipalities.**

Comments and Questions:

A regulation is still required to prescribe classes of residential categories (dwelling type) and structures ancillary to residential units. Without this regulation Halton cannot assess the financial impact. However additional units have demand on services under the DCA and should be required to pay their fair share of growth.

If the Bill proceeds as currently proposed the following should be considered:

- Limiting collection will impact the taxpayer as there will be a loss of DC revenue.

- The exemption for these units should be permitted only in single and semi-detached dwellings if at all. It should only allow for an addition of 1 secondary unit.
- The secondary unit should be clearly subsidiary to that home and as such:
  - The owner should be the same for the entire primary and secondary unit.
  - There should be a maximum floor areas prescribed for the secondary unit (e.g. maximum 30% of the entire TFA, including below grade).

In addition to the changes noted above, Bill 108 has introduced significant changes that would limit the local municipalities' ability to recover growth related costs. These changes include the removal of section 37 (density and height bonusing) with the introduction of a capped CBC and changes to Section 42 (parkland dedications and parkland in-lieu). Bill 108 also addressed the Cannabis Act as part of Schedule 1. Although commenting is not available on this Act, there is a financial impact if the transfer funding, which is expected to be in a shortfall, is not extended to realize the initial revenue projected. Therefore, it is proposed that the third transfer payment planned as part of the Cannabis Act implementation be extended to allow for a full recovery.

Conclusion

Changes related to Bill 108 will have financial implications for Halton and its communities. It is not clear whether or how these changes address the Province's goal of advancing a greater number of housing opportunities to market in a shorter timeframe and it remains to be seen whether this will translate into lower housing costs. DCs are a relative small percentage of the cost to build a home, which is approximately 5-7% of new single family home prices in the GTA. This has been somewhat constant since the inception of the DCA. Housing prices are driven by the market and a reduction in DCs will reduce a municipality's ability to finance essential infrastructure needed for growth, reduce the supply of serviced land and will unfairly impact existing homeowners.

The Regional Municipality of Halton

Report To:	Regional Chair and Members of Regional Council
From:	Mark Scinocca, Commissioner, Finance and Regional Treasurer
Date:	May 22, 2019
Report No. - Re:	FN-31-19 - Bill 108 - Growth Related Financing

RECOMMENDATION

1. THAT Report No. FN-31-19 Re: "Bill 108 – Growth Related Financing" together with Attachment #1 and Attachment #2 of the report be endorsed.

2. THAT staff be directed to prepare a submission to the Province on the Growth Related Financing Schedules 3 and 12 of Provincial Bill 108 consistent with the direction outlined in Report FN-31-19.

3. THAT the Regional Clerk forward a copy of Report No. FN-31-19 and attachments, as well as the final submission, to the Ministry of Municipal Affairs and Housing, the Halton Area MPPs, the City of Burlington, the Town of Halton Hills, the Town of Milton, and the Town of Oakville for their information.

REPORT

Executive Summary

- On May 2, 2019, the Minister of Municipal Affairs and Housing announced the Province's Housing Supply Action Plan and introduced Bill 108 (More Homes, More Choice Act) in Legislature.

- This report addresses the proposed changes to the Development Charge Act (DCA) and the new Section 37 of the Planning Act (Community Benefits Charges).

- Attachment #1 provides Regional staff key comments and questions that will be included as part of the comprehensive submission to the Province which is due June 1, 2019.

- It is not clear whether or how the changes proposed in Bill 108 address the Province's goal of advancing a greater number of housing opportunities to market in a shorter timeframe. In particular, the changes would cause financial uncertainty due to timing of DC collection, the gap between timing of DC rate

determination and building permit, and the cap on the Community Benefits Charges.

- Further, there is uncertainty regarding prescribed services, transitional timing, administration and reporting which will impact long-term planning.

Background

As outlined in LPS18-19, in November 2018 the Ministry of Municipal Affairs and Housing started consultation to help inform and develop the "Provincial Housing Strategy Action Plan". This focused on five broad themes: speed of developments to get approval, mix of housing, development costs, rent and innovation.

Through LPS18-19, Halton prepared a comprehensive submission to the Province which provided input into the five themes. The key actions submitted to the Province to address issues related to the Housing Supply included:

- Flexibility to housing supply in underutilized and strategically located employment lands;
- That the Province provide its funding for critical infrastructure required to support population growth including hospitals and schools in a timely manner;
- Full recovery of Development Charges (DCs);
- Reform of Provincial policies that slow down the planning process; and
- Consideration for Transit and Mobility.

Additionally, in response to the Housing Supply consultation, on Mar. 27, 2019 a Notice of Motion (Attachment #1) was passed to reiterate Halton's position that any reductions to the flexibility to finance growth would have a direct impact on the ability to increase housing supply. Specifically, the resolution requested that there are no reductions to DC collections, including the ability to collect under Section 27 of the DCA. Further, it requested improvements to the DCA to ensure that "growth pays for growth".

Provincial consultations on the Growth Plan and the Housing Supply Action Plan have resulted in Bill 108 – More Homes, More Choice Act introduced on May 2, 2019. Bill 108 proposes to amend a number of Provincial statutes through different Schedules of the Bill, including:

- Schedule 1 Cannabis Control Act, 2017
- Schedule 2 Conservation Authorities Act
- Schedule 3 Development Charges Act, 1997
- Schedule 4 Education Act
- Schedule 5 Endangered Species Act, 2007
- Schedule 6 Environmental Assessment Act
- Schedule 7 Environmental Protection Act
- Schedule 8 Labour Relations Act, 1995
- Schedule 9 Local Planning Appeal Tribunal Act, 2017

- Schedule 10 Occupational Health and Safety Act
- Schedule 11 Ontario Heritage Act
- Schedule 12 Planning Act
- Schedule 13 Workplace Safety and Insurance Act, 1997

There are specific changes associated with Bill 108 and/or the implementation of the Housing Supply Action Plan that have been posted by the Province to the Environmental Registry. Below are a list of postings, their reference # and timing for consultation:

1. Planning Act, Schedule 12 of Bill 108 (ERO 019-0016)
   - consultation open until June 1, 2019;
2. Development Charges Act, Schedule 3 of Bill 108 (ERO 019-0017)
   - consultation open until June 1, 2019;
3. Ontario Heritage Act, Schedule 11 of Bill 108 (ERO 019-0021)
   - consultation open until June 1, 2019;
4. Environmental Assessment Act, Schedule 6 of Bill 108 (ERO 013-5102)
   - consultation open until May 25, 2019;
5. Excess Soil Management Regulatory Proposal through changes to the Environmental Protection Act (ERO 013-2774)
   - consultation window closed June 2018;
6. Endangered Species Act (ERO 013-5033)
   - consultation open until May 18, 2019;
7. Conservation Authorities Act (ERO 013-5018 and ERO 013-4992)
   - consultation closes on May 21, 2019;
8. Growth Plan transition regulation through O. Reg. 311/06 (ERO 019-0018)
   - consultation open until June 1, 2019

Unless listed above, the balance of the proposed changes related to Bill 108 have not been posted for consultation.

This report addresses matters related to Growth Related Financing. Comments related to changes that have implications for Planning (New Growth Plan and transition regulation, the Planning Act, the Conservation Authorities Act, the Endangered Species Act, and the Ontario Heritage Act) are provided in Report No. LPS70-19. Comments related to changes that have implications for Environmental Assessment Act and the Environmental Protection Act are provided in Report No. PW-31-19.

Discussion

Bill 108 (More Homes, More Choice Act) was introduced to respond to the Housing Supply Action Plan consultation discussed above. The proposed changes will have a significant impact on how the Region delivers its services and it is unclear how these changes address the Province's goal of advancing a greater number of housing opportunities to market in a shorter timeframe. Many of the changes, especially in the short-term, appear to create a larger burden on approvals, administration and constraints on infrastructure financing required for development.

The proposed Bill does not allow for a full comprehensive review of the potential impacts as the associated regulations have not been prescribed and are a substantial part of the changes. As such, comments provided to the Province will indicate that there needs to be an opportunity to provide input into the regulations and that they consult with the Region prior to adopting. This is an important measure as the Region needs to be able to completely understand and analyse the entire impact of the changes, including financial and administrative impacts.

The significant changes effecting development financing in Bill 108 include:

1. Removal of soft services from the DCA to a new amended section in the Planning Act (Community Benefit Charge) to replace Section 37;
2. Timing of determination of DC rate;
3. Timing of DC collections; and
4. Exemption of Secondary Dwelling in new construction

As requested in the March 27, 2019 notice of motion (Attachment #1), Bill 108 did not make changes to Section 27 of the DCA and still provides the ability to collect for “hard services” (police, water, wastewater and roads) which account for the largest portion of the current DCs, however has affected the certainty of revenue as DC timing has changed. It is still unclear how the remaining “soft services” will be impacted.

Below is a high level summary of the main changes being proposed and some key concerns. A more detailed analysis is provided in Attachment #2 which identifies key points and questions that will be included as part of the submission to the Province which is due June 1, 2019.

1. Removal of soft services from the DCA to a new amended section in the Planning Act (Community Benefits Charge) to replace Section 37

As part of the proposed changes in Bill 108, the DCA has been updated to only include certain services. The “soft services” (except waste diversion) have been removed from the DCA and may all become part of the Community Benefits Charges under the Planning Act (PA). The “hard services”, which are the largest portion of the Region’s development related capital program have remained under the DCA and waste diversion has been added to this list. These hard services are still 100% eligible for recovery and calculated in the same manner. The chart below, provides a comparison of eligible services under the proposed Bill 108 to the current DCA.

DCA 1997, as amended			Bill 108 proposed amendments		
				Planning Act (Community Benefit)	
100% Eligible	Less than 100%	Ineligible	DCA	Land Assessment Cap	Ineligible
water, wastewater, roads, policing, stormwater, fire, transit, electrical power services.	paramedic services, municipal vehicles, affordable housing, child care, public health, social services, shelters, homes for the aged,parkland development, waste diversion.	hospitals, waste management, acquisition of park land, museums, tourism facilities, municipal administration buildings and computers.	The following services are included in the Act and are 100% eligible: water, wastewater, roads, policing, stormwater, fire, transit, electrical power services, waste diversion, other services as prescribed.	The Services are not yet identified. The cost will be based on a prescribed % of land assessment.	It is unclear what will be ineligible.

Regional services not currently listed in the proposed DCA (unless prescribed by regulation) include:

- Paramedic services
- Social housing
- Growth studies
- Facilities
- Parks (i.e. waterfront parks)
- Services for seniors

The majority of Regional services removed from the DCA are of benefit to the entire Region, as such the Province should include these services in Subsection 2(4) of the DCA.

For the eligible “soft services”, it is proposed that a municipality may, by by-law, impose Community Benefits Charges under the Planning Act against land to pay for the capital costs of facilities, services and matters required because of development or redevelopment in the area to which the by-law applies. Key provisions are as follows:

- Prior to passing a by-law, the municipality shall prepare a community benefits strategy that identifies the facilities, services and matters that will be funded by the Community Benefits Charges; and complies with any prescribed requirements.
- The municipality shall consult with such persons and public bodies as the municipality considers appropriate.
- Only one Community Benefits Charges by-law passed by council of a given municipality may be in effect at one time.
- The Province will have the authority to exempt certain types of development.

- There will be a cap on the Community Benefits Charges based on a % of land value, which will be prescribed by regulation. The valuation date is the day before building permit issuance.
- Valuation will be based on appraised value of land. Various requirements are set out in this regard.
- There is a process for which owners can object to the value of Community Benefits Charges applied to their land.
- All monies received under Community Benefits Charges shall be paid into a special account.
- A municipality must spend or allocate 60% of the monies in the special account each year.
- Timing of payment appears to be at building permit unless an arrangement satisfactory to Council has been made to pay at a different time.
- There is no OMB appeal process identified in the Community Benefits Charges.

Although the Community Benefits Charges Strategy will be prepared to collect the maximum funding allowed under the Planning Act, the actual amount collected will be capped on the % of land value the Province prescribes by regulation. It is unclear how this cap would impact a two tier municipality, such as Halton, and how the revenue would be divided. The cap could affect the Region's ability to fund the growth related services under the Community Benefits Charges and limit full cost recovery of growth related infrastructure for these services.

Accordingly, given the fact that the "soft services" at the Region have clear infrastructure needs that a have Regional benefit it is recommended that all Regional services remain under the DCA. The DCA provides greater certainty in revenue collection that is needed for financial sustainability and ensure that taxpayers are not impacted by growth.

2. Timing of determination of DC rate

The DCA currently requires DCs to be determined at Building Permit/Subdivision unless a Section 27 agreement has been entered into. Under the proposed amendment to the DCA, the DC rate is calculated at an earlier point in time (e.g. when an application is made for a site plan/zoning approval) for a large majority of developments. The intent of this change is to provide the developers with greater certainty when developing their pro forma. This could result in lower DC revenue collection as rates are determined at an earlier stage and there is no allowance for indexing or changes due to by-law updates. Over time, this will cause an upward pressure on overall DC rates and create more complexities in the DC rate calculation.

3. Timing of DC collections

The Bill introduced 5 new development types which collect DCs over 6 annual instalments. The development types include:

- Rental Housing Development

- Institutional Development
- Industrial Development
- Commercial Development
- Non-profit Housing Development

The DC collection for the 5 development types begins at the earlier of 1st occupancy or occupancy permit issued (which is later than building permit) and is paid by 6 equal annual payments at a prescribed interest rate (currently unknown). The collection for all other development types will not be affected.

The Region provides interim financing for non-residential capital costs as a planned investment for economic development and this cost is recovered through the collection of non-residential DCs. The Region current investment is over $325 million. A deferral in DC payments will further delay non-residential collection and may limit Halton's ability to continue interim financing employment lands in the future or slow down infrastructure financing. Alternatively, if debt financing is utilized there could be an impact to our financial sustainability. As the DC collections are uncertain and delayed, the use of debt will impact the Region's debt capacity limits as well as place upward pressure on development charges.

Additionally, by deferring payments in six annual installments, any defaults on any of the annual payments after issuance of building permit would be placed on property taxes and passed on to the home buyer. This cost would affect Halton's most vulnerable residents (non-profit and rental).

4. Exemption of Secondary Dwelling in new construction

In 2016, Bill 204 introduced an exemption for a secondary unit in new construction, however the required regulation is not yet provided so it is not in force. Secondary unit exemption has been reintroduced in Bill 108 and expanded to also allow for a secondary unit in structures ancillary to the residential building. A regulation is still required to prescribe classes of residential (dwelling type) and structures ancillary to residential.

The financial impact is unknown as there have been limited new construction builds with secondary units. To minimize the impact, the submission to the Province will request that the exemption for these units should be permitted <u>only</u> in single and semi-detached dwelling units and that the secondary unit should be clearly subsidiary to that home. As such the owner should be the same for the entire primary and secondary unit and there should be a maximum floor area prescribed for the secondary unit (e.g. maximum 30% of the entire TFA, including below grade).

In addition to the changes noted above, Bill 108 has introduced significant changes that would limit the local municipalities to recover growth related costs. Planning Act changes with respect to Section 37 (density and height bonusing), Section 42 (parkland dedications and parkland in-lieu) along with proposed changes to the DCA will be replaced with the capped Community Benefits Charges.

Conclusion

Changes related to Bill 108 will have implications for Halton and its communities. In all of the changes as described in the materials from the Province, it is not clear whether or how these changes address the Province's goal of advancing a greater number of housing opportunities to market in a shorter timeframe. In particular, the changes would cause financial uncertainty due to timing of DC collection, the gap between timing of DC rate determination and building permit, and the cap on the Community Benefits Charges. Further, there is uncertainty regarding prescribed services, transitional timing, administration and reporting. This financial uncertainty will impact long-term planning including growth related financing calculations and collection, cash flow requirements, the delivery of infrastructure, budgeting, and the resources required to address the additional administration. Any reduction in growth related financing or increase costs will impact existing taxpayers.

FINANCIAL/PROGRAM IMPLICATIONS

As noted in a memo to Council on August 11, 2017, the cost of growth is $87.7 million for all municipalities and school boards in Halton of which $14.1 million relates to the Region. The full extent of the proposed changes under Bill 108 are still unknown as the regulations have not yet been prescribed. The following changes to the legislation could further impact the financing of growth related costs depending on the prescribed regulations:

- Eligibility of Services;
- The % land value cap under the Community Benefits Charges;
- Administrative cost including, staffing, appraisals, tracking of payments and occupancy;
- Timing and determination of DC rate; and
- Timing of DC collections and potential debenture financing cost due to the shortfall.

In addition to the $14.1 million that currently can not be collected under the DCA, the removal of the "soft services," in which the 2017 DC Background Study projected collection of $89.5 million over 10 years, could further increase the burden to existing tax payers.

Bill 108 (More Homes, More Choice Act) was introduced to respond to the Housing Supply Action Plan consultation but it is unclear how these changes address the Province's goal of advancing a greater number of housing opportunities to market in a shorter timeframe and it remains to be seen whether this will translate into lower housing costs. As stated in Report No. LPS18-19, DCs are a relative small percentage of the cost to build a home, which is approximately 5-7% of new single family home prices in the GTA. This has been somewhat constant since the inception of the DCA. Housing prices are driven by the market and a reduction in development charges will reduce a municipality's ability to finance essential infrastructure needed for growth, reduce the supply of serviced land and will unfairly impact existing homeowners.

Respectfully submitted,

Matthew Buist
Director, Capital and Development Financing

Mark Scinocca
Commissioner, Finance and Regional Treasurer

Approved by

Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report, please contact: Matthew Buist Tel. # 7873

Attachments: Attachment #1 – Notice of Motion – Development Charges
Attachment #2 – Key Comments and Questions Related to Financing Growth Under Bill 108

Attachment #1 to FN-31-19

HALTON REGION

NOTICE OF MOTION

DATE: March 27, 2019

ITEM: Development Charges

DATE OF MEETING NOTICE OF MOTION TO BE CONSIDERED: Council Meeting – March 27, 2019

MOVED BY: Mayor Rob Burton
SECONDED BY: Mayor Marianne Meed Ward

WHEREAS the Provincial Government has established increasing housing supply as a priority and is currently reviewing the impact of municipal development charges on housing supply; and

WHEREAS development charges are the primary municipal revenue source for the financing of municipal infrastructure required to increase housing supply; and

WHEREAS development charges only account for approximately 5-7% of new single family home prices in the GTA, and that housing prices are driven by the market; and

WHEREAS a reduction in development changes will reduce a municipality's ability to finance essential infrastructure needed for growth, reduce the supply of serviced land and will unfairly impact existing homeowners; and

WHEREAS current development charges legislation, through the *Development Charges Act, 1997* S.O. 1997 c.27 as amended does not allow municipalities to recover the full cost of growth which is not consistent with the principle that growth pays for growth; and

WHEREAS Halton has an estimated annual funding gap of $87.7 million (including Region, Local, and School Boards) as a result of the inability to collect the full cost recovery under the current legislation; and

WHEREAS the current development charges legislation provides the ability to collect development charges prior to building permit/subdivision (Section 27), which is critical in Halton for the delivery of infrastructure to support additional new housing; and

WHEREAS any reduction to the flexibility to finance growth through development charges will have a direct impact on Halton's ability to increase housing supply;

NOW THEREFORE BE IT RESOLVED:

THAT the Provincial Government be called upon to not reduce the use of development charges or make changes to section 27 of the DCA;

THAT the Provincial Government be called upon to improve the DCA, to ensure that all growth related costs of municipal infrastructure and services are recovered through development charges ensuring growth pays for growth;

AND FURTHER THAT the Regional Chair write a letter to the Premier, the Minister of Municipal Affairs and Housing expressing Regional Council's concerns regarding changes to section 27 of the *Development Charges Act* or a reduction in the use of development charges, and that Halton would welcome the opportunity to work with the Provincial Government to find creative solutions to increase the stock of affordable housing, while ensuring that growth pays for growth;

AND THAT a copy of the letter be sent to the Association of Municipalities of Ontario, Halton's Members of Provincial Parliament, and the Local Municipalities.

Key Comments and Questions related to financing growth under Bill 108

On May 2nd, 2019 the Province introduced Bill 108 (More Homes, More Choice Act) and asked for comments to be provided by June 1st, 2019. The items below represent key comments and question related to growth financing that will be addressed as part of a submission to the Province. In particular, these comments will address changes to the Development Charge Act, 1997 (DCA) and a new section 37 of the Planning Act (Community Benefit Charges).

General Observations

Bill 108 introduced many changes that impacted several Acts. It is currently unclear the extent of the proposed changes as the associated regulations have not been prescribed. As such comments provided to the Province will indicate that there needs to be an opportunity to provide input into the regulations and address the full impact of changes once they are known.

These changes will have a significant impact on how the Region delivers its services. It is not clear whether or how these changes address the Province's goal of advancing a greater number of housing opportunities to market in a shorter timeframe. Many of the changes, especially in the short-term, appear to create a larger burden on approvals, administration and constraints on infrastructure financing required for development.

In particular, the changes would cause financial uncertainty due to timing of DC collection, the gap between timing of determination and building permit, and the cap on the CBC. Further, there is uncertainty regarding prescribed services, transitional timing, administration and reporting. This financial uncertainty will impact long-term planning including growth related financing calculations and collection, cash flow requirements, the delivery of infrastructure, budgeting, and the resources required to address the additional administration. Any reduction in growth related financing or increase costs will impact existing taxpayers.

The significant changes effecting development financing include:

1. Removal of soft services from the DCA to a new amended section in the Planning Act (Community Benefit Charge) to replace Section 37;
2. Timing of determination of DC rate;
3. Timing of DC collections; and
4. Exemption of Secondary Dwelling in new construction.

1. Removal of soft services from the DCA to a new amended section in the Planning Act (Community Benefit Charge) to replace Section 37

- The “soft services” (except waste diversion) have been removed from the Development Charges Act (DCA) and may all become part of the Community Benefits Charge (CBC) under the Planning Act (PA).
- The “hard services” that are 100% eligible have remained under the DCA and waste diversion has been added to this list.
- Regional services not currently listed in the proposed DCA (unless prescribed by regulation) include:
  - Paramedic services
  - Social housing
  - Growth studies
  - Facilities
  - Parks (i.e. waterfront parks)
  - Services for seniors
- For the eligible “soft services”, it is proposed that a municipality may, by by-law, impose CBC against land to pay for the capital costs of facilities, services and matters required because of development or redevelopment in the area to which the by-law applies. Key provisions are as follows:
  - Prior to passing a by-law, the municipality shall prepare a community benefits strategy that identifies the facilities, services and matters that will be funded with CBC; and complies with any prescribed requirements.
  - The municipality shall consult with such persons and public bodies as the municipality considers appropriate.
  - Only one CBC by-law passed by council of a given municipality may be in effect at one time.
  - The Province will have the authority to exempt certain types of development.
  - There will be a cap the CBC based on a % of land value, which will be prescribed by regulation. The valuation date is the day before building permit issuance.
  - There is a process for which owners can object to the value of CBC applied to their land.
  - Valuation for an appeal to land value will be made based on appraised value of land at building permit and will be subject to a timeframe to provide this appraisal.
  - All monies received under CBC shall be paid into a special account.
  - A municipality must spend or allocate 60% of the monies in the special account each year.
  - Timing of payment appears to be at building permit unless an arrangement satisfactory to Council has been made to pay at a different time.
  - There is no OMB appeal process identified in the CBC.

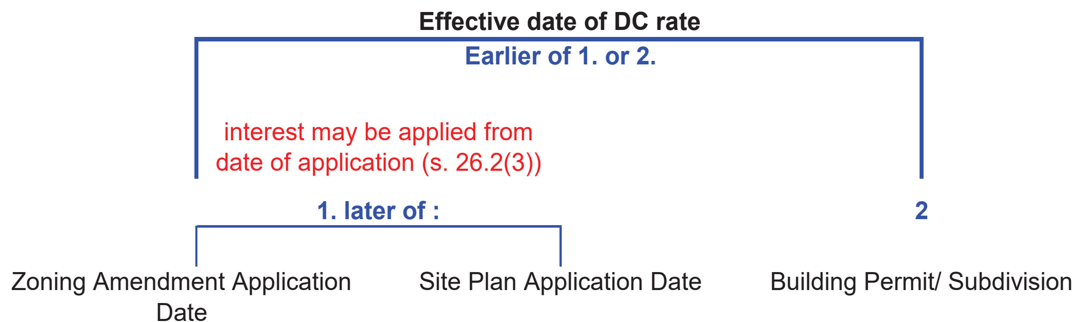
Comments

- Although the DCA does have its limitations, it has been in place for over 20 years and the application has been tested through OMB appeals. The DCA is transparent and accountable.
- The majority of Regional services removed from the DCA are of benefit to the entire Region, as such the Province should include these service in Subsection 2(4) of the DCA.
- The administration of the proposed CBC is very cumbersome and could be costly as each planning application will need to be monitored to building permit issuance and a land valuation process will need to be in place. This is adding red tape especially in the short-term.
- The collection of revenue is not a planning function and should not be in the Planning Act.
- The Province has the ability to exempt certain types of development from the CBC however there has been no clarification on what these development types will be or a rational.
- The Province has the ability to exempt some facilities, services and other matters from the CBC however there has been no clarification on what these will be or a rational.
- More information is required given that the regulations were not included in the release. Some of the key information missing is as follows:
    - What services/items can be included in the CBC?
    - The calculation for the CBC is unclear (e.g. is it calculated on population and employment growth? Land value? Is there any deductions? service standards?)
    - How are conversions/demolitions dealt with in situations of intensification and redevelopment under the CBC?
    - Can the CBC be indexed or would the bylaw need to be updated more frequently?
    - The Bill includes a transitional provision for reserve balances but not how to deal with current DC negative balances, outstanding debt payments and commitments.
    - What % of the “value of land” will be eligible for collection? Will it be the same % for all of Ontario? How this will impact a two-tier municipality is unknown.
    - The land value for assessment should at minimum be based on market rate of the proposed development assuming it is fully serviced (in urban area), however it should be based on ultimate build out (highest and best use).
    - The % cap on land will have an impact on budgeting and capital timing as the amount collected will be uncertain.
    - The cap for the % is based on the land value one day before building permit issuance. How will the appraisal process work to ensure the appropriate appraisal is completed in a timely manner? In the event of a challenge, an appeal period would need to be relatively short as land values constantly change.

- How will the costs of appraisals be covered? This could be substantial and should be the responsibility of the development industry. If it is included in the CBC it would negatively impact collections as it would be part of the %.
- How will the special account be treated from a financial reporting perspective?
- Transitional provisions have not yet been fully prescribed and would require substantial changes to administration. At minimum this should be at the expiry of the current DC By-law or 4 years.

2. Timing of determination of DC rate

- The DCA currently requires DC to be determined at Building Permit/Subdivision unless a Section 27 agreement has been entered into.
- Under the proposed amendment to the DCA, the DC rate is determined as shown below:



Comments

- The Bill did not provide the prescribed timeframe allowed between DC rates determination and building permit issuance. An extensive period could elapse between the effective date of the DC rate and the issuance of building permit. There would need to be an expiry date within the planning approvals or an expiry date for the calculation period. There is limited interest that can be applied, which has not yet been regulated. The length of time a planning document (i.e. zoning or site plan) is valid for the purposes of calculation should be limited (i.e. valid for 6 months)
- Increases in infrastructure have typically risen at a level greater than inflation and therefore setting a rate several years in advance of development will create a shortfall in collection between each DC by-law update.
- On the timeline provided on the previous page, the effective date of 1 (later of zoning or site plan) at a minimum should include subdivision.
- The timing should not be at application date but rather at the timing of an approval. If it remains at application date it should have the same meaning as considered under the current Planning Act (i.e. complete application package).

3. Timing of DC collections

- The Bill introduced 5 new development types which collect DCs over 6 annual instalments. The development types include:
  - Rental Housing Development
  - Institutional Development
  - Industrial Development
  - Commercial Development
  - Non-profit Housing Development
- The DC collection for the 5 development types begins at the earlier of 1st occupancy or occupancy permit issued (which is later than building permit) and is paid by 6 equal annual payments at a prescribed interest rate (currently unknown)
- All other Development types collection timing will not be affected.

Comments

- The Region currently has a deferral policy for non-residential, rental and affordable housing, which has limited uptake.
- There is no option to pay in full for the 5 development types.
- There are no definitions related to the types of development which could create confusion. Some concerns include:
  - Is Special Care/Special Needs institutional?
  - Does commercial include retail?
  - What does non-profit mean? Is it the developer/ managing company/consulting firm/financial institution etc.
- The administration of the proposed changes is very cumbersome and will require process changes at both the Region and the locals. For example, in 2018 the Region had over 150 non-residential permits which under this new bill would require individual tracking for 6 years.
- This will further delay non-residential collection which is already being interim financed by over $325 million for water, wastewater and roads. It may limit Halton's ability to continue interim financing employment lands in the future.
- If we financed based on available cashflow, this could delay project timing.
- The residential development types with deferred payments are from the most vulnerable development types (non-profit and rental). Paying DCs in instalments could put responsibility of default on the homeowners, unless there is a form of security other than tax roll provided.
- Change of Ownership-There are issues with the Land Registry Office the limit the ability to include DC related matters on title.
- How will occupancies be tracked to ensure the developers are complying with requirements?
- How will non-profit housing development be dealt with when sold to private for-profit developer?
- How will Rental Buildings be dealt with if it converts to Condominium to evade early collection?

4. Exemption of Secondary Dwelling in new construction

- In 2016, Bill 204 introduced an exemption for a secondary unit in new construction, however the required regulation is not yet provided so it is not in force.
- Secondary unit exemption has been reintroduced in Bill 108 and expanded to also allow for a secondary unit in structures ancillary to the residential building.
- A regulation is still required to prescribe classes of residential (dwelling type) and structures ancillary to residential.

Comments

- The financial impact is unknown as there have been limited new construction builds with secondary units.
- The exemption for these units should be permitted only in single and semi-detached dwellings if at all.
- The secondary unit should be clearly subsidiary to that home.
- The owner should be the same for the entire primary and secondary unit.
- There should be a maximum floor areas prescribed for the secondary unit (e.g. maximum 30% of the entire TFA, including below grade).

HALTON REGION

NOTICE OF MOTION

DATE: May 22, 2019

ITEM: Bill 108 – More Homes, More Choice Act, 2019

DATE OF MEETING
NOTICE OF MOTION
TO BE CONSIDERED: Council Meeting – May 22, 2019

MOVED BY: Councillor Jeff Knoll
SECONDED BY: Councillor Mike Cluett

WHEREAS the legislation that abolished the OMB and replaced it with LPAT received unanimous – all party support; and

WHEREAS all parties recognized that local governments should have the authority to uphold their provincially approved Official Plans; to uphold their community driven planning; and

WHEREAS Bill 108 will once again allow an unelected, unaccountable body to make decisions on how our communities evolve and grow; and

WHEREAS on August 21, 2018 Minister Clark once again signed the MOU with the Association of Municipalities of Ontario, which recognizes that "Public policy issues are complex and thus require coordinated responses..." and that "The Municipal Act, 2001 provides that the Province of Ontario endorses the principle of regular consultation between Ontario and municipalities in relation to matters of mutual interest"; and

WHEREAS the MOU sets out that "Ontario is committed to cooperating with its municipal governments in considering new legislation or regulations that will have a municipal impact"; and

WHEREAS Bill 108 will impact 15 different Acts - Cannabis Control Act, 2017, Conservation Authorities Act, Development Charges Act, Education Act, Endangered Species Act, 2007, Environmental Assessment Act, Environmental Protection Act, Labour Relations Act, 1995, Local Planning Appeal Tribunal Act, 2017, Municipal Act,

2001, Occupational Health and Safety Act, Ontario Heritage Act, Ontario Water Resources Act, Planning Act, Workplace Safety and Insurance Act, 1997.

NOW THEREFORE BE IT RESOLVED THAT The Regional Municipality of Halton oppose Bill 108 which in its current state will have negative consequences on community building and proper planning; and

THAT The Regional Municipality of Halton call upon the Government of Ontario to halt the legislative advancement of Bill 108 to enable fulsome consultation with Municipalities to ensure that its objectives for sound decision making for housing growth that meets local needs will be reasonably achieved; and

THAT a copy of this Motion be sent to the Honourable Doug Ford, Premier of Ontario, The Honourable Christine Elliott, Deputy Premier, the Honourable Steve Clark, Minister of Municipal Affairs, the Honourable Andrea Horwath, Leader of the New Democratic Party, and all MPPs in the Province of Ontario; and

THAT a copy of this Motion be sent to the Association of Municipalities of Ontario (AMO) and all Ontario municipalities for their consideration.

Finance
Office of the Commissioner
1151 Bronte Road
Oakville ON L6M 3L1

January 10, 2014

John Ballantine
Development Charge Consultation
Ministry of Municipal Affairs and Housing
Municipal Finance Policy Branch
777 Bay Street, 13th Floor
Toronto ON M5G 2E5

Dear Mr. Ballantine:

RE: Development Charge Consultation

Thank you for the opportunity to provide input into the Development Charge process.

Halton Region is a rapidly growing community and is expected to grow under the Provincial Growth Plan (the Growth Plan) from 520,000 people in 2011 to 780,000 people by 2031 (a 50% increase). While the Growth Plan has imposed financial challenges on Halton, Regional Council has committed to support the planned growth, while protecting its taxpayers from the financial impact of growth.

Despite its strong fiscal position, accommodating growth continues to be the primary challenge faced by Halton. As such, Halton has provided a detailed submission which responds to the questions provided in the Ministry's consultation package, as well has provided further documentation to enhance the Region's response.

Section 2 of the enclosed submission responds to the consultation questions. In addition, Halton's responses are discussed in more detail in Section 3. Regional staff presented a detailed response to Council in report FN-30-13 (Re: Provincial Land Use Planning, Appeal and Development Charges Review – Submission Respecting Recommended Amendments to the Development Charges Act, 1997) on December 11, 2013. Given the importance of this DC review, there was extensive discussion among members of Council at the meeting on December 11, 2013, which necessitated an update to the report to reflect the issues they raised. Section 3 represents the updated report FN-30-13 which was amended to incorporate Regional Council's issues as requested under the resolution to FN-30-13 provided in Appendix C. To provide further context, this submission also includes Halton's continuously evolving, 30-year history in growth financing in Appendix B.

The DCA is an important tool for Halton to recover growth-related costs in order to provide infrastructure in a timely way to support growth and more importantly support the Provincial Growth Plan. Therefore, the Region is pleased that the Province has taken this opportunity to review the current DC legislation and looks forward to changes in the legislation that will support the Region in achieving its growth objectives.

If you have any questions or concerns regarding our submission or the DCA, the Region would be pleased to meet to review and discuss.

Sincerely,

Mark Scinocca
Commissioner of Finance and Regional Treasurer
(905) 825-6005
mark.scinocca@halton.ca

cc: Gary Carr, Regional Chair, Regional Municipality of Halton
cc: Jane MacCaskill, CAO, Regional Municipality of Halton

Halton Region

Development Charges Review

January 2014

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1. INTRODUCTION

1. INTRODUCTION

Halton Region is a rapidly growing community and is expected to grow under the Provincial Growth Plan (the Growth Plan) from 520,000 people in 2011 to 780,000 people by 2031 (a 50% increase), in accordance with the Places to Grow Act (2006). While the Growth Plan has imposed financial challenges on Halton, Regional Council has committed to support the planned growth, while protecting its taxpayers from the financial impact of the growth.

Halton has over 20 years of experience in sound growth management and financing, which has contributed to a consistent AAA credit rating since the early 1990's. Despite its strong fiscal position, accommodating growth continues to be the primary challenge faced by Halton. In particular, the magnitude and the timing of funding required to support the provincial Growth Plan and the resulting infrastructure requirements, when combined with the state-of-good-repair needs of a growing asset base, have resulted in an unprecedented financial burden to Halton in recent years.

The DCA is an important tool for Halton to recover growth-related costs in order to provide infrastructure in a timely way to support growth and more importantly the Provincial Growth Plan. However, there are two funding gaps experienced by Halton in accommodating growth as discussed in this submission. First, Halton continues to address funding challenges associated with significant upfront growth related infrastructure requirements resulting in a funding gap between DC collection and timing of infrastructure funding. Secondly, Requirements under the DCA, 1997 which limits a municipality to recover the full capital cost of growth related infrastructure resulting in an additional funding gap.

Accordingly, the review of the DCA and the resulting changes as recommended in this submission are critical to addressing such funding gaps and ensuring the Provincial Growth Plan is achievable. In order to provide an effective growth funding mechanism and to promote infrastructure investments in the community, this submission recommends the following changes to the DCA:

- Include all growth-related services funded by a municipality
- Remove the 10% discount for all services
- Replace the 10 year average historic service level limits with a service level that is forward looking
- Remove mandatory exemptions
- Continue to provide maximum flexibility to use alternate funding tools to finance significant growth related infrastructure to meet the Provincial Growth Plan

Consistent with the principle that "growth pays for growth", the current DCA needs to be revised to eliminate arbitrary discounts, ineligible service categories and mandatory exemptions. The updated DCA should also incorporate the service level required for the

community over the planning period and allow a municipally to address new service priorities. In addition, the updated DCA should reflect and support Councils' decision making authorities in managing the financial affairs of its municipality and provide required flexibility to design and implement its own policies to achieve its economic and social objectives.

This submission provides Halton's responses to the consultation questions in Section 2. In addition, Halton's responses are discussed in more detail in Sections 3. Regional staff presented a detailed response to Council in report FN-30-13 on December 11, 2013. Given the importance of this DC review, there was extensive discussion among members of Council, which necessitated an update to the report to reflect the issues they raised. The detailed discussion in Section 3 represents the updated report FN-30-13, which was amended to incorporate Regional Council issues as requested under the resolution to FN-30-13 provided in Appendix C.

To provide further context, this submission also includes Halton's continuously evolving, 30-year history in growth financing in Appendix B. While the Provincial Growth Plan has imposed significant infrastructure pressures and related financial challenges on Halton, Regional Council has committed to support the planned growth, while maintaining one of its core objectives; to protect the Region's tax and rate payers from impacts related to financing growth related infrastructure and to protect the Region's strong financial position. Maintaining this goal ensures that the Region can respond appropriately to any financial challenges, such as downturns in the economy or changes in funding relationships from the Province or the Federal Government. Halton's long standing principle that an acceptable financing plan needs to be approved by Council prior to growth proceeding through the release of an allocation program is rooted in Halton's history in the financing of growth related infrastructure over the past 30 years as discussed in more detail in Appendix B. This principle has ensured that the Region's tax and rate payers are protected from the impacts related to the financing of growth.

2. ISSUES AND QUESTIONS TO DISCUSS

2. DC REVIEW QUESTIONS AND RESPONSES

2.1 The Development Charges Process

2.1.1. – Question #1 Does the development charge methodology support the right level of investment in growth-related infrastructure?

Halton determines the right level of investment based on the municipal growth plan that conforms to the Provincial Growth Plan and the Master Plans, which identify the infrastructure needed to support growth. Once the level of investment has been determined then the legislative framework needs to be in place to ensure that 100% of the cost of the new infrastructure can be recovered. Unfortunately the current legislative framework limits a municipality to recover the growth related costs to facilitate the right level of investments.

The general principle for development charges is that “growth pays for growth”, but some principles such as ineligible services, mandatory discounts (10% for soft services), 10 year average service level calculation and treatments of grants and subsidies or other contributions inhibits the full cost recovery of growth related infrastructure.

Although Halton Region is committed to ensuring that development charge rates recover the full cost of providing infrastructure to support development, changes made to the Development Charges Act, 1997 (the Act) restrict the costs that can be recovered. Municipalities cannot afford to fund growth related capital costs through the tax payer as tax revenues are needed to operate and maintain the new infrastructure on an on-going basis and contribute over the long term to asset replacement in order to maintain the state of good repair.

The Act introduced a number of changes to the development charge calculation from the Development Charges Act, 1989, which reduced the revenue generating potential of development charges to municipalities. The impacts differ between the Regional Municipality and Local Municipalities, in accordance with their differing service responsibilities. Halton Region, in conjunction with Watson and Associates, undertook an analysis to estimate the cost (on an annual average basis (based on 2012 dollars)) of the following eleven changes that have potentially impacted Halton’s development charge recoveries:

- Exclusion of computer equipment (s.s.5(3)4(ii))
- Exclusion of short life rolling stock (s.s.5(3)4(i))
- Exclusion of works beyond 10 year average service level (s.s.5(1)4)
- Deduct 10% for non Water, Wastewater, Roads and Police Services (s.s.5(1)8)
- Exclusion of the Waste Management Service (s.s.2(4)5)
- Exclusion of Hospital contributions (s.s.2(4)4)
- Exclusion of General Admin. HQ service (s.s.2(4)6)
- 50% industrial expansion exemption (s.s.4)
- Exemption of 1-2 residential unit enlargements (s.s.3(3))
- Require stricter benefit to existing development deduction (s.s.2(5)6)

- Exclusion of museums, tourism and related services (s.s.2(4)1&2)

It has been estimated that Halton's development charge revenues are, at minimum, $10.6 million per year (2012$) lower than they would otherwise have been had the Region continued to operate under the previous Development Charges Act, 1989.

In addition, there are other services that municipalities fund, such as hospitals, GO transit and Conservation Authorities. Although there are provisions within the Act to fund these services from DCs to the extent permitted by legislation (Hospitals is currently not eligible), it is important that the Act clarify the principles of "growth pays for growth" and full cost recovery and remove ambiguity that might exist in the Act by clearly annunciating that if a municipality funds a service it can recover 100% of the growth related capital costs through development charges.

Moreover, the Province has inter-regional growth related infrastructure such as 400 series highways, transit expansions and hospitals that it does not recover through a development charge. Go Transit has DC in some communities but this DC is out of date and does not reflect the long term growth related capital infrastructure needs related to GO and Metrolinx. In addition the Province is responsible for providing schools to new communities. Under the Education Act, the education DC only recovers the cost of land and not capital costs related to buildings and related infrastructure. Although the Province is responsible for funding new schools, the municipalities are required to provide a mandatory DC exemption under the DCA, 1997 for municipal infrastructure. In Halton, the cost of this exemption for schools has been $44.8 million since 2000. The Province has set forth its Growth Plan, which incorporates the notion of "Complete Communities" and increased densities, but this goal is difficult to achieve without the timely completion of Provincial infrastructure and ensuring the appropriate funding mechanisms are in place and secured to deliver timely infrastructure. The Big Move, for example, is a project needed to support complete communities and without the Province identifying the appropriate funding tools, including DCs, delays in inter-regional transit are expected to continue.

In order to achieve the "Complete Communities" objective of the provincial Growth Plan, it is critical that the Province address its own share of cost of growth and funding mechanisms and provide provincial infrastructure in a timely manner.

2.1.2. – Question #2 Should the Development Charges Act, 1997 more clearly define how municipalities determine the growth-related capital costs recoverable from development charges? For example, should the Act explicitly define what is meant by benefit to existing development?

Halton Region undertakes a rigorous process to determine the growth-related capital cost recoverable under the Act through its DC Background Study process. The process begins with a provincial Growth Plan, which set out population objectives and goals. This is followed by the creation of an Regional Official Plan, which conforms to the province's growth mandates. Next, Master Plans including water, wastewater, roads and growth related services are developed to determine the infrastructure required to meet objectives

set in the Official Plan. Finally, the DC update process is undertaken, which incorporates the Official Plan and Master Plans.

This process involves internal staff review and calculations and consultant review to link the infrastructure requirements to the Master Plans and to provide feedback on the DC calculation. The process also includes extensive consultations with Halton development community and residents, who provide input through an advisory committee (Development Charges Advisory Committee) related to the DC calculation methodology and policies. The Master Plans provide the technical information for the growth related infrastructure. This process has evolved since the inception of the DCA and through its evolution, developer negotiations and OMB decisions have provided clarity and transparency into the determination of growth-related capital costs, but at the same time provided flexibility in the calculation of recoverable growth-related costs.

Through this Halton's DC process, the recoverable growth-related costs have been also reviewed including "benefit to existing". Addressing the growth infrastructure needs often causes capital replacement to existing infrastructure, which in part would be premature if development did not proceed. In many cases, growth "triggers" the need for new infrastructure, and although this may benefit existing users, it is only required due to the new demand. For example, roads with useful life remaining are often ripped up early for widening to meet the new demands of growth. This causes additional costs for the existing tax payer since they are paying for costs that are deemed to benefit existing users. The capital cost in this instance puts pressure on existing tax payers and as such should be included as a growth related cost.

The DC Act needs to provide flexibility for municipalities in determining the recoverable growth-related capital costs. Municipalities have varying goals and service delivery needs and it would be difficult to achieve the wide range objectives if the Act became more prescriptive. Accordingly new definitions to determine growth related capital costs would result in an undesirable outcome.

2.1.3. – Question #3 Is there enough rigour around the methodology by which municipalities calculate the maximum allowable development charges?

As noted above (section 2.1.2), Halton Region undertakes a rigorous process to develop its DC Background Study. Once a municipality has approved the DC by-law, the DC can be appealed to the OMB and tested further. Accordingly the developers have a mechanism to challenge the DC in the event there is a dispute over the methodology and costs.

Although Halton Region undertakes its rigorous process and is committed to ensuring that development charge rates recover the full cost of providing infrastructure to support growth, changes made to the DCA 1997 have restricted the cost recovery and the fully cost recovery principle has not been achievable.

2.2 Eligible Services

2.2.1. – Question #4 The Development Charges Act, 1997 prevents municipalities from collecting development charges for specific services, such as hospitals and tourism facilities. Is the current list of ineligible services appropriate?

Despite that demand for services, such as waste management, hospitals, acquisition of parkland, municipal administration building and computer equipment, is directly related to the level of growth, these services are ineligible under the current DCA. As these services cannot be recovered from DCs, the related servicing cost has been transferred to Halton taxpayers since 1997, resulting in consistently increasing funding responsibilities of existing tax payers through property taxes. This is inconsistent with the “growth pays for growth” principle.

In addition, there are other services that a municipality funds, such as hospitals, GO transit and Conservation Authorities. Although there are provisions within the Act to fund these services from DCs (hospitals is currently not eligible) it is important that the Act clarify the principle of full cost recovery and remove ambiguity that might exist in the Act by clearly annunciating that if a municipality funds a service it can recover 100% of the growth related capital costs through development charges.

In order to provide complete communities and to support the Provincial Growth Plan, “Places to Grow” and intensification, municipalities must have the ability to provide and fund the services that meet the Growth Plan objectives. Services such as waste management and hospitals are critical to support a growing community. Accordingly, the DCA should allow the inclusion of all services funded by a municipality for growth.

2.2.2. – Question #5 The Development Charges Act, 1997, allows municipalities to collect 100% of growth-related capital costs for specific services. All other eligible services are subject to a 10% discount. Should the list of services subject to a 10 % discount be re-examined?

The 10% discount on the other eligible services needs to be removed as the general principle for development charges is that “growth pays for growth”. The arbitrary 10% discount inhibits the full cost recovery of growth related infrastructure and as a result, the 10% reduction creates a funding gap which must be offset from other sources.

2.2.3. – Question #6 Amendments to the Development Charges Act, 1997 provided Toronto and York Region an exemption from the 10 year historical service level average and the 10% discount for growth-related capital costs for the Toronto-York subway extension. Should the targeted amendments enacted for the Toronto-York Subway Extension be applied to all transit projects in Ontario or only high-order (e.g. subways, light rail) transit projects?

The amendments to the DCA, 1997 for the Toronto and York Region subway including a forward looking service level average and removal of the 10% discount should be applied to all services to align with the “growth pays for growth” principle.

Although Transit is not currently at the Regional level in Halton, Halton’s transportation masterplans are aligned with local transportation master plans which provide transit. The 10% deduction restricts the ability of a municipality to plan and recover the growth related costs for roads and transit in these services as the DCA does not allow for the combination of services related to transit and roads. In particular, in order to meet provincial growth objectives Transportation Demand Management (TDM) incorporates a variety of initiatives aimed at reducing travel by single occupant vehicles and achieving a more balanced modal split in the transportation system, particularly in peak hours. The use of transit is one of these initiatives and the cost limitations under the DCA, 1997 provides a barrier to financing an integrated system due to the 10% deduction and the fact that a greater portion of the DC can be collected under roads.

Additionally, the current 10 year service level calculation restricts a municipality to effectively deliver services in a growing community. As a municipality grows and reaches a certain threshold the need for new and expanded services are required to support the growth plan. The current DCA, 1997 (with the exception of Toronto-York subway extension) bases service levels on the average service level provided throughout the ten years leading up to the DC background study. Without significant investment by the taxpayer a municipality would never be able to achieve a level of service for a new service like transit to support higher levels of growth. The averaging provision in the DCA 1997 therefore makes it difficult to introduce a new service as the 10 year service standard does not permit the growth related costs to be recovered from DCs.

The 10 year service level cap is an example where Provincial legislation has limited a municipality’s ability to decide on the best method to fund services to support a growing community. The Province has recognized that the extent to which the 10 year service cap limits a municipality to recover the cost of growth. In 2006 the Province made an exception to the 10 year average service level calculation for the transit DC on the Toronto-York Spadina Subway extension by applying the future planned level of service for the extension. Without this change the Subway Extension project would not have effectively recovered the appropriate level of DC revenues.

The changes made by the Province in 2006 provide valuable insight on how the current 10 year service level cap can be changed. Municipalities should be allowed to adopt for forward looking service levels. This will be critical through the Metrolinx discussions and the planning for transit service in order to support the Provincial Growth Plan over the next 20 years. A more forward looking standard could be set through Master Plans approved by Council.

2.3 Reserve Funds

2.3.1. – Question #7 Is the requirement to submit a detailed reserve fund statement sufficient to determine how municipalities are spending reserves and whether the funds are being spent on the projects for which they were collected?

Municipalities are highly accountable for money collected through their DC By-law(s). The DCA, 1997 requires that a financial statement related to the development charges bylaw and reserve funds be provided to Council by the Treasurer annually. This report and statement is then forwarded to Municipal Affairs and Housing. The report includes opening and closing DC reserve balances, interest allocated and credit provided. The report shows in detail how DCs, along with other Regional funds, are used to fund each of growth-related projects.

The current requirements under the Act are sufficient for the reporting of the DC reserves. As noted above, the reserve fund statements are concise, open and transparent. The current practice provides clarity as to how the development charges are spent down to the project level.

2.3.2. – Question #8 Should the development charge reserve funds statements be more broadly available to the public, for example, requiring mandatory posting on a municipal website?

Mandatory posting on a municipal website provides accountability and is practiced by many municipalities. It is Halton's practice to post the Development Charge Statement on its website so that they are broadly available to the public.

2.3.3. – Question #9 Should the reporting requirements of the reserve funds be more prescriptive, if so, how?

As noted above (section 2.3.1), the reserve fund statements are open and transparent and the current practice clearly provides how the development charges are used.

2.4 Section 37 (Density Bonusing) and Parkland Dedication Questions

2.4.1. – Question #10 How can Section 37 and parkland dedication processes be made more transparent and accountable?

Density Bonusing

Section 37 of the Planning Act permits a local municipality to authorize, by by-law, an increase in height or density for a development where the owner enters into an agreement to provide facilities, services or funding to the municipality. Such agreements can be registered on the land and are binding on future owners. While the Planning Act requires a

municipality to have a by-law and official plan policies, the Act is silent on the nature or quantum of density or height or services an owner would be asked to provide.

Section 37 of the Planning Act has a very different purpose and function than the DCA. Section 37 is a planning tool distinct from development charges that may be used by a municipality to secure important community benefits in development of complete communities. These community benefits should not be confused with or lumped in to services that are funded by development charges. Section 37 can be used to benefit the existing community, unlike development charges, and also to provide services and facilities for new growth that development charges do not fund. The continued concurrent use of Section 37 and development charges is appropriate.

The Region supports retaining Section 37 of the Planning Act as a planning tool separate and apart from the DCA. The Region also supports the efforts that local municipalities have taken to create protocols and policies around Section 37 that provide transparency and accountability and allow stakeholders to work within an established framework on issues related to density bonusing. Such practices should be encouraged but not legislated as the circumstances in which they are applied can vary significantly and there would be a risk that standard approaches would make the current provisions unworkable.

Parkland Dedications

Local Municipalities have the authority to require that a developer dedicate a portion of the development land to a municipality for a park or other recreational purposes either at the plan of subdivision approval or consent approval stage (Planning Act, subsection 51.1(1)) or as a condition of development or redevelopment of land (Planning Act, section 42). Instead of dedicating land, the municipality may require the developer to pay an amount of money equal to the value of the land that would have otherwise been given. In achieving healthy complete communities local Municipalities need this flexibility in meeting Provincial, Regional and local objectives and parkland dedication should be left as a tool outside of the DCA.

2.4.2. – Question #11 How can these tools be used to support the goals and objectives of the Provincial Policy Statement and the Growth Plan for the Greater Golden Horseshoe?

The overarching principles of the Provincial Growth Plan and 2005 Provincial Policy Statement (PPS) is to promote healthy communities, keep the economy strong and protect the environment through the efficient use and management of land and infrastructure; protection of the environment and resources; and, ensuring appropriate opportunities for employment and residential development, including support for a mix of uses. These provincial objectives are reflected in Halton's Official Plan. The use of section 37 and parkland dedication are planning tools which are available to Local Municipalities to assist in meeting these objectives, they are not dependent on historic levels of service, but look to planning and achieving complete healthy communities.

2.5 Voluntary Payments Questions

2.5.1. – Question #12 What role do voluntary payments outside of the Development Charges Act, 1997 play in developing complete communities?

High Growth municipalities, like Halton, often face considerable challenges with funding infrastructure costs in their program due to the DCA constraints that create a non-recoverable component of growth related costs, combined with cash flow challenges for up front capital investment requirements. As discussed above, mandatory exemptions, 10% deduction for soft services, ineligible services and service level caps reduce the ability for a municipality to recover its full growth related costs through DC charges and as such create funding gaps. Therefore alternate funding tools are often necessary to meet Council objectives and ensure that there is no impact to the taxpayer associated with development and growth related costs over a build-out period.

The Region has established a long standing funding partnership with the development community and has used a voluntary payment (in addition to the payment of DCs) to help address its funding gaps. Municipalities have different needs which lead to the use of a voluntary payment, but it is important to highlight in Halton's case that the need was out of necessity to support essential infrastructure requirements for growth as outlined in more detail on page 3-17.

Together with the development community, the Region has explored and employed alternative funding tools and mechanisms, over the past years, through their Development Financial Planning process to fund critical infrastructure such as water, wastewater and road capital to support growth. It is important to note that the Developer share is calculated after a thorough financing plan has been completed and approved by Council. The Region of Halton used a voluntary payment approach in 2005 to assist in the funding of a new water treatment plant for growth. At the request of the development industry a Front-end payment (included in the DCA, 1997) has been used since 2008 to allow development to continue to proceed.

In order for a higher growth municipality to be financially sustainable in facilitating critical large scale growth-infrastructure like Halton and build complete communities, the choices are to seek funding assistance through these alternate funding strategies or to limit growth at affordable levels.

2.5.2. – Question #13 Should municipalities have to identify and report on voluntary payments received from developers?

No, voluntary payments are funding tools outside of the DCA. They are normally approved by Council and any reporting can be stipulated in the agreements made with the participating developers.

2.5.3. – Question #14 Should voluntary payments be reported in the annual reserve fund statement, which municipalities are required to submit to the Ministry of Municipal Affairs and Housing?

No, as noted, the voluntary payments are a funding tool used by the Region outside of the DCA. The agreements made with the participating developers should prescribe what type of reporting is required.

2.6 Growth and Housing Affordability Questions

2.6.1. – Question #15 How can the impacts of development charges on housing affordability be mitigated in the future?

Although DCs have increased over time the relative percentage share in relation to the cost of a new house has been somewhat constant since the inception of the DCA. Housing prices are largely market driven and lowering DCs does not necessarily result in a reduction of housing prices particularly when DCs are a small percentage of building costs. A report by RBC “Priced Out: Understanding the factors affecting home prices in the GTA” indicated:

- "The costs of building a home - including materials, labour and development charges - have increased in the GTA, but are not a primary influence on relative home prices"
- "The actual dollar increase in development charges accounts for a small portion of the increase in average housing prices"
- "Factors that have impacted the home prices in Canada over the past decade include a strong economy, low interest rates and favourable mortgage rules. These factors have increased the demand for homes and driven up prices across Canada, including the GTA"

Development charges help to ensure that capital costs for providing services related to new growth are paid by those that benefit from the infrastructure. Any DC exemptions provided to address the issue of affordable housing will result in a revenue shortfall to fund growth related capital costs without measurable impact on housing price. These shortfalls must be paid for by the tax payer. The ability for a municipality to finance exemptions through property tax revenue is limited and would result in a tax payer affordability issue depending on the scale of the exemption program. Development Charges are designed to recover growth related costs and as such are not designed to support affordable housing issues.

2.6.2. – Question #16 How can development charges better support economic growth and job creation in Ontario?

DCs, when incorporated into a municipal long-range financial plan, help to provide a stable source of revenue to build infrastructure in a timely manner to support growth. This infrastructure investment is made to provide jobs and economic growth and builds complete and healthy communities. Any reduction to the flexibility to finance growth related infrastructure will limit a municipality's ability to finance growth, such that the objectives of the Provincial Growth Plan will not be achieved.

For years Halton had incorporated a discount to the non-residential DC for the purposes of encouraging development. However, after a number of economic competitiveness studies (2003, 2008 and 2011) no firm relationships existed in providing a DC discount as an incentive to encourage economic development. These studies consistently concluded that the decision to locate is not directly related to the quantum of DC rates and is the result of many factors including financial factors such as construction costs, land costs, permit fees, rent, and property taxes as well as non-financial factors including land availability, transportation, labour supply, market proximity, and quality of life.

2.7 High Density Growth Objectives

2.7.1. – Question #17 How can the Development Charges Act, 1997 better support enhanced intensification and densities to meet both local and provincial objectives?

The DCA includes measures to support high density and intensification development. The DCA allows for calculation of development charges based on the type of development (i.e. high, medium and low density residential development) which provides lower charges for intensified housing. High density development associated with intensified housing has lower persons per unit (PPU) than medium or low density development and as such attracts lower DCs.

Further, the DCA, 1997 provides the flexibility to differentiate rates through area-rating and in some cases municipalities can use this to encourage development in intensified areas such as the built boundary areas. In the 2012 DC update, Halton differentiated its rates based on capital costs required to service growth in specific areas. As a result, Halton has lower DCs in the intensification area, compared to the rates applicable to the Greenfield growth areas, which is important in order for development to be viable in the built boundary. Although municipalities have the ability to differentiate their rates to meet intensification objectives, as is the case in Halton, it is important to note that this methodology may not necessarily result in lower DCs in the intensification areas due to higher level of capital investment required in intensification development.

In addition, the current DCA allows a municipality to establish rules related to timing of DC collections through their DC by-law. This provides opportunities for a municipality, like Halton, to adjust the timing of DC collection in consideration of cash flow challenges that typically arise with development in the intensification area. The intensification area often has residential building developments which are financed differently than building types normally associated with Greenfield development. High density developments such as condominiums normally seen in intensified areas, do not have the ability to provide DC financing upfront. High Density Developments typically have a longer development process than that of lower density units, which results in a longer cash flow to finance the project. In order to promote intensification by high-rise residential development, the Region has delayed the timing of DC collection to a building permit stage. This lag in DC collection must be managed through a financing plan as it further exasperates the funding gap between DCs received and the timing required for capital funding.

The DCA should provide flexibility to a municipality to develop its own DC polices and the related financing plan that best accommodate its intensification objectives under its Official Plan.

2.7.2. – Question #18 How prescriptive should the framework be in mandating tools like area-rating and marginal cost pricing?

Marginal cost pricing and area-rating are tools which several municipalities use to align costs associated with servicing lands in specific geographic areas. However, marginal cost pricing is not the preferred approach for most services. In most cases, average cost pricing provides more flexibility to have one reserve per service to finance infrastructure and is the most defensible at the OMB in calculating development charges. Also many services are provided on a municipal wide basis (like roads) and as such are difficult to area-rate. Further, many services (such as Police and other general services) provide service to or draw users from an area which is difficult to define. Halton has area-rated its cost for specific water and wastewater infrastructure however it is extremely limited.

It is important to note that as noted above some municipalities differentiate their rates to try to meet the intensification objective, but capital costs can be greater in some intensified areas. Accordingly, the methodology does not necessarily always result in lower costs.

Municipalities need flexibility in developing financial policies and developing DCs that best accommodates the timing of their infrastructure. Prescriptive rules would limit the ability to do this.

2.7.3. – Question #19 What is the best way to offset the development charge incentives related to densities?

The DCA already provides incentives related to densities. The DC rates are calculated to cover the total recoverable capital program costs (i.e. growth forecasts and the related number and type of units recover the exact revenue needed for the recoverable capital program costs). Per capita rates are calculated and then applied to the different housing types based on average PPUs for each type of unit. Accordingly, high density development, which inherently has a lower PPU, has lower development charges when compared to low density development.

Further, as noted above, municipalities need flexibility in developing financial policies that best suit their needs. There are many discretionary exemptions/discounts that a municipality uses to encourage high density development which may increase the potential for growth, and/or increase developer’s profit.

3. DEVELOPMENT CHARGES REVIEW – DETAILED DISCUSSION

The Regional Municipality of Halton

3. DEVELOPMENT CHARGES REVIEW – DETAILED DISCUSSION (UPDATED HALTON REGION REPORT NO. FN-30-13)

RECOMMENDATION

Development Charges are the main source of revenue for a municipality to fund growth related infrastructure. Municipalities cannot afford to fund growth related capital costs through the tax payer as tax revenues will be needed to operate and maintain the new infrastructure on an on-going basis and contribute over the long term to asset replacement in order to maintain the state of good repair. Therefore it is recommended through this submission to the Minister of Municipal Affairs and Housing that amendments be made to the Development Charges Act, 1997 (DCA, 1997) consistent with the principle that "growth pays for growth" including endorsing the following:

- Include all growth-related services funded by a municipality
- Remove the 10% discount for all services
- Replace the 10 year average historic service level limits with a service level that is forward looking
- Remove mandatory exemptions
- Continue to provide maximum flexibility to use alternate funding tools to finance significant growth related infrastructure to meet the Provincial Growth Plan

If the Region cannot attain these additional payments from the development community to achieve “growth pays for growth” principle, then development will not happen in a timely way and the Provincial Growth Plan will not be achieved. This was demonstrated in Halton’s 2012 Allocation Program where development was delayed for over a year until developers agreed to the approved financing plan.

REPORT

Executive Summary

- Halton has over 20 years' experience in sound growth management and financing
- Financing infrastructure required to accommodate growth, continues to be the primary challenge faced by Halton in achieving the Provincial Growth Plan
- Revisions to the Development Charge legislation in 1997 have resulted in an estimated $10.6 million annual development charge (DC) funding shortfall or

over $148.4 million of growth related infrastructure not funded from DCs as a result of restrictions in the DCA,1997

- The DC legislation must adopt the principle that "growth pays for growth"
- Recommendations in this report align with this principle to ensure the full cost recovery of growth related infrastructure is achieved
- The Province needs to continue to provide municipalities the flexibility to finance the funding gaps as identified in this report through voluntary payments and front-ending to be recovered from future DCs; alternatively the Province needs to once again become a funding partner to help fund significant up front growth related infrastructure.
- Any reduction to the flexibility to finance growth related infrastructure will limit a municipality's ability to finance growth, such that the objectives of the Provincial Growth Plan will not be achieved.

Background

The Province of Ontario is reviewing the Development Charges Act, 1997 (DCA 1997) and related municipal measures that levy costs on development (i.e. section 37 and parkland dedication provisions of the Planning Act) with municipalities, the building and development industry and other key stakeholders from October 2013 to January 2014. This process will review what changes to the DC systems are needed, in order to ensure that the land use planning, appeal and DC systems are predictable, cost-effective and responsive to the changing needs of the stakeholders. All stakeholders are invited to share their ideas and comments in writing by January 10, 2014. Accordingly, the purpose of this report is to set out the Region’s comments and proposed changes to the DC system and to allow Council the opportunity of providing input into the final Regional submission that will be made on January 10, 2014. A further report providing commentary on land use and appeal matters will be provided to Council in January 2014 for consideration. A joint submission on behalf of Halton’s municipal partners is currently being prepared by the Halton Planning Partnership (HAPP). This submission will be forwarded to the Province by the January 10, 2014 deadline date for comments and will be presented to the five Halton Councils for endorsement either prior to submission where possible or immediately thereafter. Council schedules do not permit consideration prior to the Province’s deadline date for receiving submissions on this matter.

In providing comments the Province has made it clear it will not consider the following:

- Eliminating or changing the OMB’s operations, practices and procedures
- Removing or restricting the provincial government’s approval role and ability to intervene in matters;
- Removing municipal flexibility in addressing local priorities;
- Changing the “growth pays for growth” principle of development charges
- Education development charges and the development charge appeal system; and

- Other fees and taxes and matters involving other legislation, unless housekeeping changes are needed.

Halton has over 20 years of experience in sound growth management and financing. Despite its strong fiscal position, financing infrastructure to accommodate growth continues to be the primary challenge faced by Halton. With the revisions to the DC legislation in 1997, combined with growth plan mandated by the province (Places to Grow Act, 2005), the Region has experienced growing challenges to fund new infrastructure in support of development.

Development Charges

The purpose of Development Charges is to recover the growth related capital costs needed to service new development. Development Charges must be calculated and collected under the DCA, 1997. The DCA, 1997 sets out the rules in calculating and implementing the development charges bylaw and reporting requirements to ensure a municipality provides a significant level of accountability and transparency. The DCA, 1997 is one of the few tools available to fund upfront infrastructure investment to enable growth. Municipalities have only one major source of revenue which is the property tax. Property tax revenue is used to operate and maintain the new capital assets to ensure they are in a state of good repair. Accordingly, every dollar not collected through development charges to pay for growth need to be picked up by the property tax payer.

In the spirit of the DCA, Halton Region undertakes a rigorous process to develop its DC Background Study through its Masterplans, Growth Plans, developer consultations and consultant review to define its future development and infrastructure required to meet the needs of growth. Addressing these infrastructure needs often causes capital replacement to existing infrastructure which in part would be premature if development did not proceed. In many cases, growth “triggers” the need for new infrastructure, and although this may benefit existing users, it is only required due to the new demand. For example, roads with useful life remaining are often ripped up early for widening to meet the new demands of growth. This causes additional costs for the existing tax payer since they are paying for costs that are deemed to benefit existing users. The capital cost in this instance puts pressure on existing tax payers and as such should be included as a growth related cost.

In a growing community like Halton, DCs have increased significantly to recover a significant increase in infrastructure costs like treatment plants, reservoirs, water mains, sewer mains, new roadways and major road widenings. Issues have been raised on the effect DCs have on housing prices and affordability.

There are many factors that have an effect on the price of homes and development charges is one. Although DCs have increased over time the relative percentage share of the cost of a new house has been somewhat constant since the inception of the DCA. Housing prices are largely market driven and lowering DCs does not necessarily result in a reduction of housing prices particularly when DCs are a small percentage of

building costs. A report by RBC “Priced Out: Understanding the factors affecting home prices in the GTA” indicated:

- “The costs of building a home – including materials, labour and development charges – have increased in the GTA, but are not a primary influence on relative home prices”
- “The actual dollar increase in development charges accounts for a small portion of the increase in average housing prices”
- “Factors that have impacted the home prices in Canada over the past decade include a strong economy, low interest rates and favourable mortgage rules. These factors have increased the demand for homes and driven up prices across Canada, including the GTA”

The absence of development charges will not have measurable impact on housing prices, while resulting in higher property taxes. Higher property taxes in turn would affect housing and business affordability.

“Growth Pays for Growth”

Halton has and continues to address financial challenges in funding significant upfront infrastructure requirements related to growth which results in a funding gap between DC collection and timing of infrastructure funding. This issue is further complicated by the requirements of the DCA, 1997 which limits a municipality’s ability to recover the full capital cost of growth related infrastructure resulting in an additional funding gap. DC revenue has been a key component of the Region’s funding structure in facilitating the required infrastructure to provide for growth.

The development charge legislation must be based on the core principle that DCs are a primary tool in ensuring that “growth pays for growth”. DCs remain the primary funding source for financing Halton’s future growth. However, the Region’s cost recovery capacity has been restricted by measures inherent in the current DCA, 1997.

Prior to 1989 the municipality’s ability of recovering growth related costs was through the collection of lot levies under the Planning Act. The first DC legislation in 1989, (DCA 1989) brought forward many of the practices in calculating charges to recover the cost of growth to ensure growth pays for growth. This enabled the municipality the ability to govern its affairs and make the appropriate decisions on providing services and recovering the cost of growth as its communities grow.

In 1997, the implementation of the DCA 1997 effectively removed the authority to make these decisions as the recovery of growth related costs are limited under the DCA through the inclusion of ineligible services, limit on cost recovery, service level caps and mandated exemptions, which further compound the financial pressures by creating funding gaps for municipal infrastructure. The following highlights these key provisions that hinder the “growth pays for growth” objectives.

Ineligible Services and Limit on Cost Recovery

As shown in the following table, the DCA 1989 allowed 100% cost recovery of growth related costs through DCs for regional services:

DCA 1989	DCA 1997		
Eligible Regional Services	Less than 100%	100% Eligible	Ineligible
water, wastewater, police, roads, paramedic services, hospitals, waste management, municipal vehicles, affordable housing, child care, public health, social services, shelters, homes for the aged, acquisition of park land, museums, tourism facilities, municipal administration buildings and computers	paramedic services, municipal vehicles, affordable housing, child care, public health, social services, shelters, homes for the aged, police, and GO Transit	water, wastewater and roads	hospitals, waste management, acquisition of park land, museums, tourism facilities, municipal administration buildings and computers

However, as shown, under the current DCA 1997, only water, wastewater, and roads is 100% eligible to be recovered from growth provided the service levels are not exceeded. Services such as waste management, hospitals, acquisition of parkland, municipal administration building and computer equipment are ineligible, despite that demand for these services is directly related to the level of growth. As these services cannot be recovered from DCs, the related servicing cost has been transferred to Halton taxpayers since 1997, resulting in consistently increasing funding responsibilities of existing tax payers through property taxes.

Furthermore, the remaining services such as police, paramedic services, affordable housing and municipal administration buildings have a limit on recovery either through the arbitrary 10% deduction or through the 10 year service level cap. This has resulted in a funding gap in growth-capital financing, which needs to be funded through property taxes.

Although transit service is not currently provided at the Regional level in Halton, the cost recovery for this service is also limited under the current DCA. This service is also subject to the 10% deduction and as such this service cannot be combined with road service (which is 100% eligible) under the Act. In order to meet provincial growth objectives the Halton Transportation Master Plan includes Transportation Demand Management (TDM) which incorporates a variety of initiatives aimed at reducing travel

by single occupant vehicles and achieving a more balanced modal split in the transportation system, particularly in peak hours. The use of transit is one of these initiatives. However, the cost recovery limitations under the DCA, 1997 provides a barrier to facilitating an integrated system and achieving the objectives of the provincial Growth Plan due to the 10% deduction and the fact that this service cannot be combined with roads to collect a greater portion of the DCs.

In addition, there are other services that a municipality funds, such as hospitals, GO transit and Conservation Authorities. Although there are provisions within the Act to fund these services from DCs to the extent permitted by legislation (Hospitals is currently not eligible) it is important that the Act clarify the principle of full cost recovery and removing ambiguity that might exist in the Act by clearly annunciating that if a municipality funds a service it can recover 100% of the growth related capital costs through development charges.

Moreover, the Province is responsible for inter-regional growth related infrastructure such as 400 series highways, transit expansions through Metrolinx and hospitals that it does not recover through a development charge. Go Transit currently has DC in some communities but this DC is out of date and does not reflect the long term growth related capital infrastructure needs related to GO and Metrolinx. In addition the Province is responsible for providing schools to new communities. Under the Education Act, the education DC only recovers the cost of land and not capital costs related to buildings and related infrastructure. Although the Province is responsible for funding new schools, the municipalities are required to provide a mandatory DC exemption under the DCA, 1997 for municipal infrastructure. In Halton the cost of this exemption for schools has been $44.8 million since 2000.

The Province has set forth its growth plan which incorporates the notion of “Complete Communities” and increased densities, but this goal is difficult to achieve without the timely completion of Provincial infrastructure and ensuring the appropriate funding mechanisms are in place and secured to deliver timely infrastructure. The Big Move, for example, is a project needed to support complete communities and without the Province identifying the appropriate funding tools, including DCs, delays in inter-regional transit are expected to continue.

Based on the “growth pays for growth” principle it is recommended that all services funded by the municipality should be eligible and that the arbitrary mandatory 10% deduction be eliminated.

<u>10 Year Service Level Cap</u>

The 10 year service level calculation in the DCA 1989 was based on service levels on the highest service level that a municipality reached in the 10 years leading up to the DC background Study. In contrast, the DCA 1997 bases service levels on the average service level provided throughout the ten years leading up to the DC background study.

The changes to the legislation in 1997 restricts a municipality to effectively deliver services in a growing community as it can take a number of years to increase service levels. The DCA 1989 would allow the highest level of service whereas the DCA 1997 would reduce the level of the service through the averaging provision. This has been the case for Police and Paramedic Services which are two essential services needed to support Halton's growing community and have been capped with no ability to fully recover the cost of growth based on a technical calculation that does not adequately relate to the service levels being provided. Under the DCA 1989 this cap was essentially removed.

The averaging provision in the DCA 1997 also makes it difficult to introduce a new service as there would be no service level. The 10 year service level cap is an example where Provincial legislation has limited a municipality's ability to decide on the best method to fund services to support a growing community. The Province has recognized that the extent to which the 10 year service cap limits a municipality to recover the cost of growth. In 2006 the Province made an exception to the 10 year average service level calculation for the transit DC on the Toronto-York Spadina Subway extension by applying the future planned level of service for the extension. Without this change the Subway Extension project would not have effectively recovered the appropriate level of DC revenues.

The changes made by the Province in 2006 provide valuable insight on how the current 10 year service level cap can be changed. Municipalities should be allowed to adopt for forward looking service levels. This will be critical through the Metrolinx discussions and the planning for transit service in order to support the Provincial Growth Plan over the next 20 years.

For these reasons it is recommended that the current 10 year service level cap be replaced for all services with a more forward looking service level consistent with the approach used for the Toronto-York subway extension to ensure growth pays for growth.

Mandatory Exemptions

The DCA contains a number of mandatory exemptions including: 50% industrial expansion, 1-2 residential unit enlargements and a municipal and school board exemption, which represents a hidden cost to taxpayers and limits a municipality's ability to recover the cost of growth.

The anticipated growth in the Regional Official Plan (ROPA 38) includes non-residential new and redevelopment over the planning period. Accordingly, infrastructure Master Plans are prepared to service all growth whether its development or redevelopment. As such development charges are calculated based on the inclusion of infrastructure costs needed to support new development and redevelopment. Providing the mandated exemptions after setting the DC rates based on all types of growth would therefore result in revenue shortfalls that need to be funded by the Region through property taxes.

There is no evidence to indicate the level of benefit received by the community to justify the cost of the mandatory exemptions. A better approach would be to allow a municipality to decide the best approach to providing appropriate incentives, including exemptions for a specific type of development, to achieve its economic development objectives. The DCA allows a municipality to set the rules and policies on how DCs are collected. For example, Halton has established a practice of providing a grant in lieu of DCs for such developments that align with the objectives and priorities of the Region and local municipalities. A policy of this type would identify the cost of providing such a grant and a methodology to measure the benefit received by the community.

For these reasons it is recommended that the mandatory exemptions be removed.

Financial Impact of the DCA, 1997

In Summary, the costs of servicing growth that cannot be recovered through DCs need to otherwise be funded by Halton taxpayers. The changes the 1997 Act introduced have reduced the revenue generating potential of development charges to municipalities. The impacts differ between the Regional Municipality and Local Municipalities, in accordance with their differing service responsibilities. Halton Region, in conjunction with Watson and Associates, undertook an analysis to estimate the cost of the following changes, including the provisions highlighted above, that have potentially impacted Halton's DC recoveries:

- **Ineligible Services and Limit on Cost Recovery**
  - Exclusion of the Waste Management Service (s.s.2(4)5)
  - Exclusion of Hospital contributions (s.s.2(4)4)
  - Exclusion of General Admin. HQ service (s.s.2(4)6)
  - Exclusion of computer equipment (s.s.5(3)4(ii))
  - Exclusion of short life rolling stock (s.s.5(3)4(i))
  - Exclusion of museums, tourism and related services (s.s.2(4)1&2)
  - Deduct 10% for non-Water, Wastewater, Roads and Police Services (s.s.5(1)8)

- **10 Year Service Level Cap**
  - Exclusion of works beyond 10 year average service level (s.s.5(1)4)

- **Mandatory Exemptions**
  - 50% industrial expansion exemption (s.s.4)

The cost of these changes is currently estimated to be approximately $10.6 million per year. This means there has been $148.4 million of growth related infrastructure in Halton not funded by DCs since 2000. By 2031, without changes to the DCA that number will grow to $339.2 million. As noted above, this figure does not include the revenue foregone due to the mandatory exemption for the square footage for the

Boards of Education. Between 2000 and 2012 the average DC loss is approximately $3.2 million per year or $44.8 million since 2000.

In addition to this funding gap, there is an additional cash flow related funding gap which arises from financing significant up front growth related infrastructure.

Financing of Growth Related Infrastructure

Halton Region is a rapidly growing community and is expected to grow from 520,000 people in 2011 to 780,000 people by 2031 and to 1,080,000 people by 2041 under the Provincial Growth Plan (the Growth Plan).

Commitment to Growth Plan and Council Objectives

As shown in the following chart, under the Provincial Growth Plan Places to Grow legislation Halton is expected to be the fastest growing community with a growth rate of 50% between 2011 and 2031. Also, as shown in Appendix A the Province has approved the growth plan to 2041 which shows that Halton will almost double in population (92%) between 2011 and 2041.

Growth Plan Population Growth Forecast for the Greater Toronto Area, 2011 to 2031

Municipality	2011	2031	2011-2031	% Increase (2011-2031)	Share of Total Growth
Region of Halton	520,000	780,000	260,000	50%	15.9%
Region of Durham	660,000	960,000	300,000	45%	18.3%
Region of York	1,060,000	1,500,000	440,000	42%	26.8%
City of Toronto	2,760,000	3,080,000	320,000	12%	19.5%
Region of Peel	1,320,000	1,640,000	320,000	24%	19.5%
GTA Total	6,320,000	7,960,000	1,640,000		100.0%

Source: Growth Plan for the Greater Golden Horeshoe, Schedule 3

While the Provincial Growth Plan has imposed significant infrastructure pressures and related financial challenges on Halton, Regional Council has committed to support the planned growth, while maintaining one of its core objectives; to protect the Region's tax and rate payers from impacts related to financing growth related infrastructure and to protect the Region's strong financial position. Maintaining this goal ensures that the Region can respond appropriately to any financial challenges, such as downturns in the economy or changes in funding relationships from the Province or the Federal Government.

This objective has been reflected in Halton's long-term vision and has also been reflected in the development financing plan framework principles approved by Council through Report No. CS-52-08 (2009 Budget Directions) and reiterated in the 2012-2020 Development Financing Plan (CS-20-12). The principles include:

- The development financing plan will not impact the 2009 or subsequent years forecasted tax and rate increases
- The development financing plan will not require the Region to exceed its own debt capacity levels
- The repayment assumptions for Regional interim financing will assume a conservative “slow growth” scenario to ensure that economic conditions do not create unexpected impacts to the Region
- All growth related costs that can be recovered under the DC by-law from growth will be recovered
- Halton’s strong financial position and financial planning principles will not be compromised

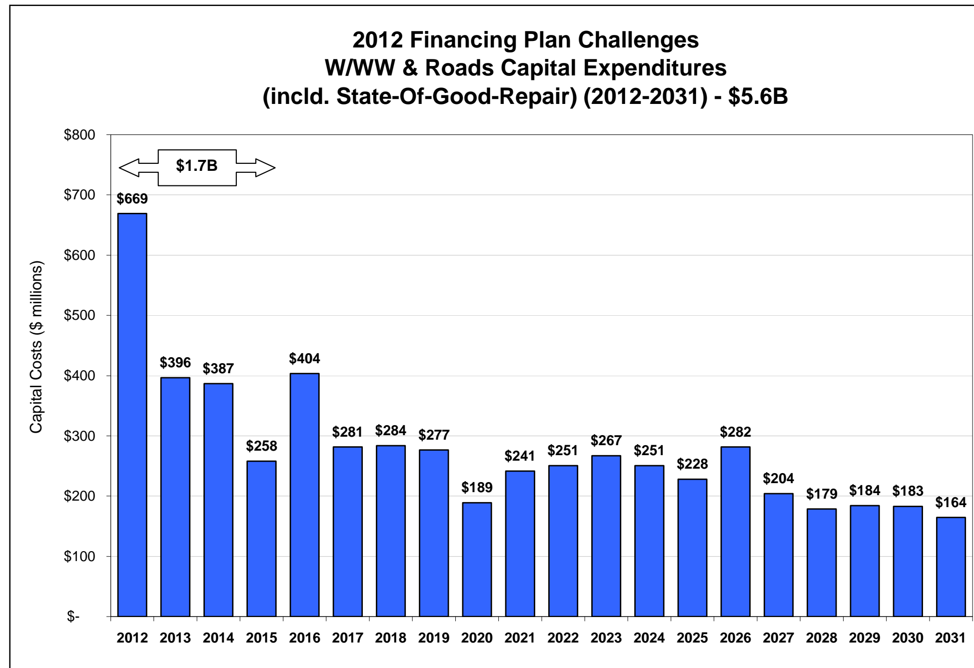
Halton’s long standing principle that an acceptable financing plan needs to be approved by Council prior to growth proceeding through the release of an allocation program is rooted in Halton’s history in the financing of growth related infrastructure over the past 30 years as discussed in more detail in Appendix B. This principle has ensured that the Region’s tax and rate payers are protected from the impacts related to the financing of growth. The history in Appendix B also shows how Halton releases development over a certain period through an Allocation Program once a financing plan is approved by Council.

Funding Challenges

Halton has over 20 years of experience in sound growth management and financing, which has contributed to a consistent AAA credit rating since the early 1990’s. Despite its strong fiscal position, accommodating growth continues to be the primary challenge faced by Halton. In particular, the magnitude and the timing of funding required to support the Provincial Growth Plan and the resulting infrastructure requirements, when combined with the state-of-good-repair needs of a growing asset base, have resulted in an unprecedented financial challenge to Halton in recent years.

Regional Council approved ROPA 38 (2009) and ROPA 39 (2011) to incorporate the Provincial Growth Plan which is the Places to Grow legislation approved by the Province in 2006. Based on the updated growth projections, the Region then needed to update the Water, Wastewater and Transportation Master Plans in support of the anticipated growth to 2031.

The following chart shows the annual infrastructure requirements (including the state-of-good-repair program) based on the approved Master Plans which was approved by Council in 2011. As shown in this chart, there are significant up front infrastructure requirements. Of the total $5.6 billion, $1.7 billion is required in the first 4 years.

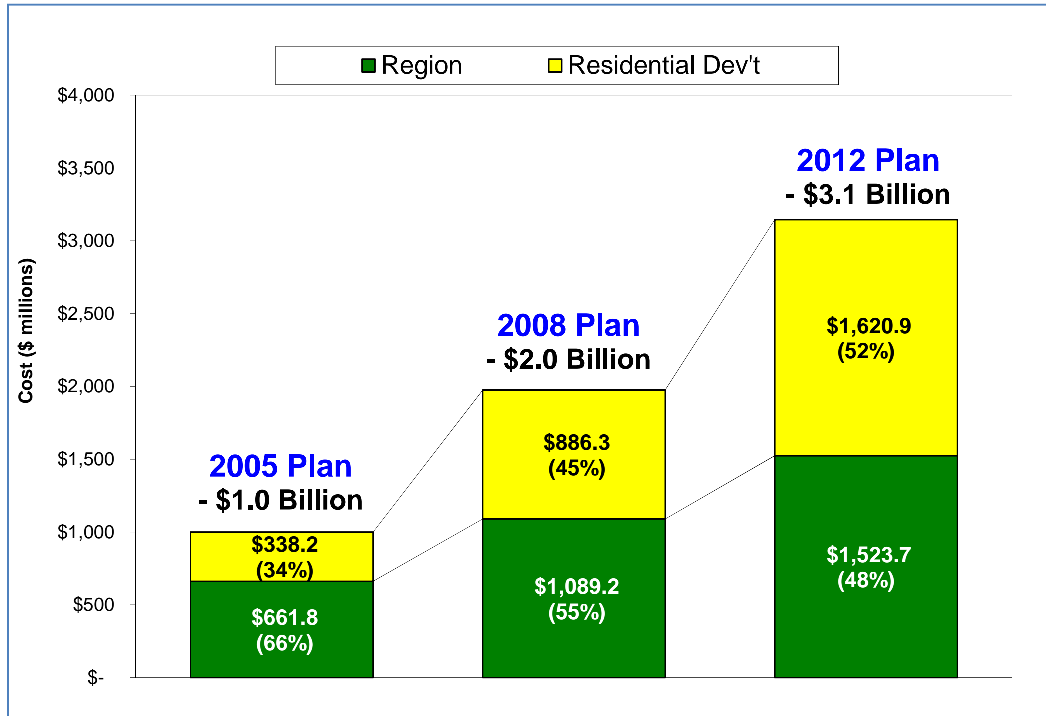


These significant infrastructure requirements are largely driven by the water/ wastewater and transportation programs where large investments are required to expand servicing capacity and build major distribution systems well in advance of the development occurring. The following table highlights some of the significant investments that will be needed to support growth:

Projects (e.g.)	2012-2015	2016-2020
W/WW	Mid-Halton Wastewater Treatment Plant outfall and expansion ($224M)	Mid-Halton Wastewater Treatment Plan Expansion (125 to 175 ML/d) ($93M)
	Boyne Wastewater Main ($72M)	Pump Station at Zone 4 Reservoir ($9M)
	Zone 4 Reservoir & Feedmain ($92M)	Burloak Water Purification Plant Phase 2 Expansion ($98M)
	Oakville Water Purification Plant Expansion ($24M)	Oakville Water Purification Plant Intake Extension ($9M)
Roads	Britannia Rd Widening (Tremaine Rd to HWY407) ($107M)	Dundas Street Widening (Appleby - Tremain, incld Bronte Creek Bridge & CNR crossing) ($73M)
	NNOTC - New 4-lane rd fr (RR#25 - 16 Mile Creek & Neyagawa - Trafalgar rd) ($67M)	NNOTC - New 4-lane rd (16M Creek - Neyagawa incld 16MCrk Bridge) ($75M)
	Tremaine Rd Widening (Britannia Rd to Derry Rd) ($26M)	Trafalgar Road. Widening (10 Side Road to Hwy 7) ($105M)

Of the $5.6 billion over the next 20 years to 2031, $3.1 billion of infrastructure costs are required to be funded in the 2012-2020 period. As shown in the following chart, based

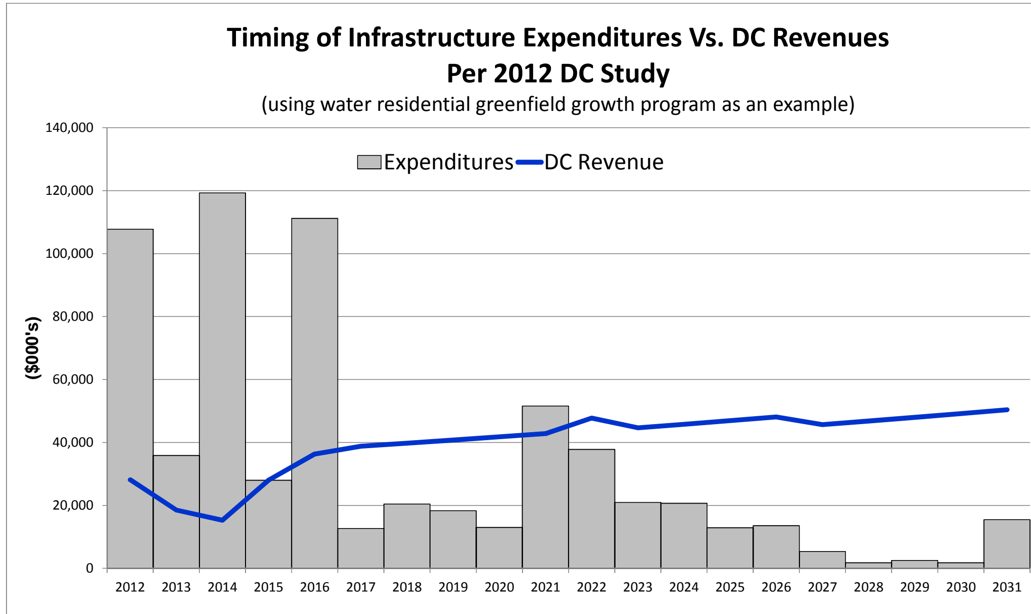
on the updated Master Plan, the total funding requirements for the 2012-2020 period have increased by $1.1 billion when compared to the 2008/2009 Plan, and $2.1 billion when compared to the 2005 Plan. This has resulted in consistently growing funding challenges for both the Region and the development community to achieve the Provincial growth plan objective.



As noted above, the growing capital program imposed considerable challenges in the Region's funding capacity. The Region's funding responsibility for the state-of-good-repair program has been growing consistently as the existing assets are aging and expanding from new growth. In addition, the Region's commitment to continue to provide interim financing for the non-residential development share of the new infrastructure investment to support economic development has also grown with the Growth Plan and the resulting Master Plan updates. The Region has historically provided interim funding in recognition of the fact that the timing of the infrastructure is being driven by the residential developers and is delivered well in advance of non-residential requirements. This financing is a strategic investment for the Region as the infrastructure is required to support economic growth in the Region.

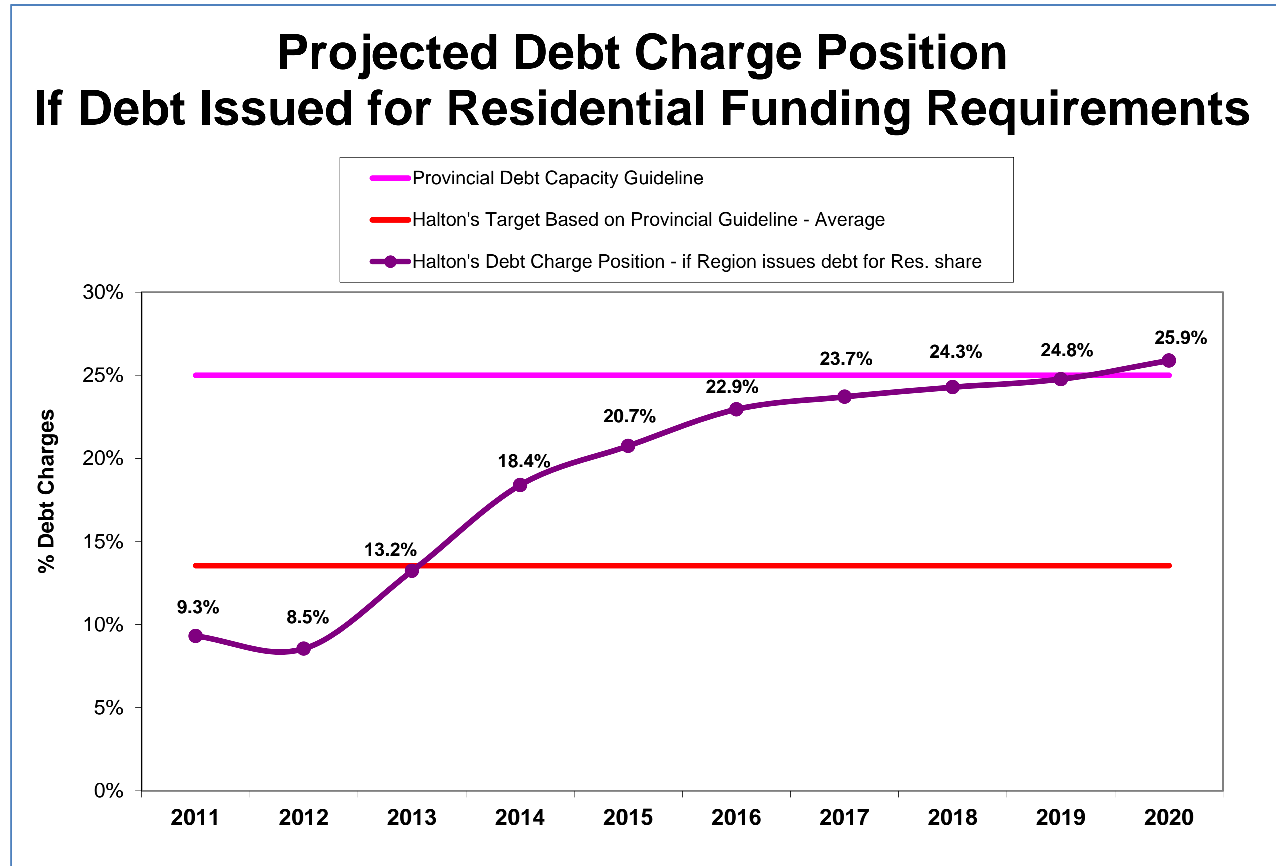
To address the funding requirement from the updated growth plan and master plan updates, the Region undertook a DC update in 2012 to reflect the higher costs. The development charges alone, however, could not address the extent of the significant funding gap experienced by the need to deliver the infrastructure (as determined through Master Plans in support of growth) considerably earlier than DC revenues conventionally collected under the DC by-law.

To demonstrate this gap, the following chart illustrates the timing mismatch of water infrastructure expenditures and the water DC revenues.



One tool available to the Region to help finance capital projects is debt. Debt has been used by the Region and will continue to be used to alleviate capital pressures. For example, as part of its economic development strategy, the Region issued over $100 million of debt to service growth related employment lands in 2011. Although debt is used by the Region, it is important to note a key principle of Council is that the development financing plan will not require the Region to exceed its own debt capacity levels and that the debt charges be fully recoverable from the collection of DCs to ensure taxpayer a zero net impact.

For illustrative purposes, the chart below provides the projected debt capacity ratios if the Region assumed responsibility for financing the 2012 infrastructure program costs, instead of using front-end funding and DCs from developers. As shown in the chart, the Region would quickly exceed the Provincial limit and that trend would continue well beyond 2020. In addition, from a cash flow perspective, the debt charges to 2020 related to water and wastewater programs would be significantly higher than the annual DCs expected to be collected. The debt charges would therefore impact taxes and rates.



Halton's debt level is carefully managed and monitored through annual budget process, in order to achieve Halton Council's fiscal objectives. Halton's current debt limits and its own debt guideline provide financial flexibility to address unforeseen issues and life cycle replacement to maintain state of good repair. If the Region assumed responsibility for the residential cost share, there would be an unacceptable risk on the existing Halton tax/rate payers and it would completely eliminate Council's flexibility to address future program needs, worsening economic conditions or other unforeseen circumstances.

For these reason's the use of debt to fund growth related infrastructure is not a financially sustainable option and as such Halton has approved development financing plans requiring residential developers to pay their water, wastewater and roads DC up front and provide front-end financing to address the cash flow funding gaps.

Development Financial Plan

Halton's Development Financial Plan has been designed to achieve the Provincial growth targets while protecting Halton taxpayers as directed by Council. In order to address the cash flow funding gaps while protecting existing tax payers from the impact of financing for growth, the Region has established a long standing funding arrangement with the development community. Also, in recognition that DCs have a limited revenue-generating capacity to fully support growth infrastructure, together with

development community, the Region has explored and employed alternative funding tools and mechanisms (beyond DCs) through its development financing plans over the past years.

This partnership and the approach to financing growth-related infrastructure differs from the Regions of Peel, York and Durham as those Regions received Provincial funding in the 1970s and early 1980s to finance such infrastructure. When it was time to proceed with large scale growth in Oakville in the mid 1980's in Halton there were no similar provincial funding programs available to fund Halton's growth-related water and wastewater infrastructure. Accordingly, this gave rise to Halton's long standing principle that an acceptable financing plan needed to be approved by Council prior to growth proceeding to protect the Region's tax and rate payers from impacts related to financing growth-related infrastructure as discussed in more detail in Appendix B.

To demonstrate the funding gap and the extent of the partnership required to accommodate growth between 2012 and 2016 (i.e. the 2012 Allocation Program) under Halton's Development Financing Plan, the following table summarizes the cost of capital infrastructure and the related funding that was approved by Regional Council in November 2013. As identified above, of the $1.7 billion, $1.4 billion is required to support growth (between 2012 and 2016) including 14,000 SDE (single detached dwelling equivalent) units in the Greenfield areas for the 2012 Allocation Program and additional growth in the built boundaries of Halton for intensification.

Halton Region
2012 Allocation Program
Infastructure to Support Growth Between 2012-2016

Funding ($million's)	Water & Wastewater	Roads	Total
Developer Funding:			
DC's	**$ 310.4**	**$ 266.1**	**$ 576.5**
Front-ending	**340.0**	**45.2**	**385.2**
Sub-total	$ 650.4	$ 311.3	$ 961.7
Region Funding	269.2	212.6	481.8
Total	$ 919.6	$ 523.9	$ 1,443.5

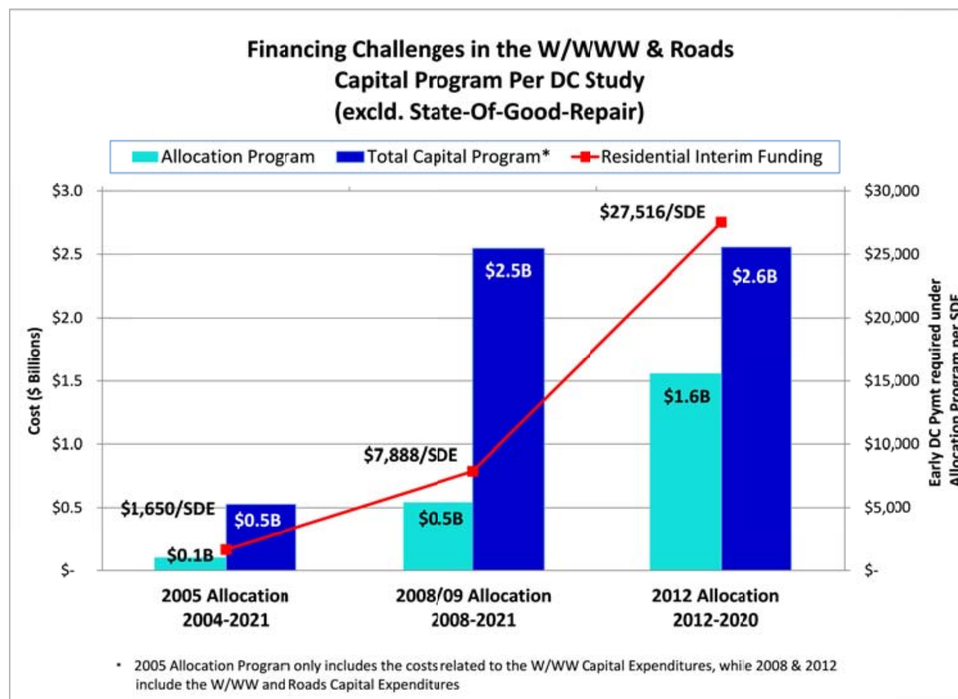
In order to support the $1.4 billion required to provide water, wastewater and roads for the 2012 Allocation Program and to address the funding gap, a total of $961.7 million is needed from development community which includes $576.5 million in DC revenues to be collected from 2012 to 2016 under DC by-law. $385.2 million will be provided from the participating residential developers under Front-ending agreement, above and beyond their share of DCs, which will be later recovered from benefiting developers. The remaining $481.1 million will be funded by the Region to support the state of good

repair and to provide interim financing to support non-residential development and economic development.

Over the past few years, the front-end funding required from the development community has increased significantly as the funding gap has grown to fund the growth related capital program required to support the Provincial growth targets. As shown in the following table, while the water/wastewater and transportation development charge rate per SDE increased by 13.4% as a result of the 2012 DC update, the developer front-end unit rate per SDE increased by 249% to address the funding gap related to the implementation of the 2012 allocation program.

(Per SDE)	2008/09 Allocation	2012 Allocation	% Change
DC	29,647	33,627	13.4%
FE Funding	7,888	27,516	248.8%

These funding challenges and the resulting requirement for additional funding sources is not unique to the 2012 allocation program. These challenges have been consistently growing for both the Region and the development community since 2005. As shown in the following chart the front-ending/early payment of DCs has increased significantly with growth-infrastructure requirements to support each successive allocation program.



In the 2005 allocation program the $1,650/SDE represents a voluntary payment. At the request of the developers the $7,888/SDE in the 2008/2009 allocation program and the $27,516/SDE in the 2012 allocation program represents a front ending payment to be

recovered from future benefitting owners. The latter front-end payment was undertaken under the front-ending provision of the DC legislation.

Municipalities have different needs which lead to the use of a voluntary payment, but it is important to highlight in Halton's case that the need was out of necessity to support essential growth infrastructure requirements.

In 2005, due to the acceleration of growth and the cost of mandatory exemptions in the DCA, a voluntary payment of $1,650 was negotiated with the developers and the funds were directed to assist in the funding of a new water treatment plant. At the time this was a critical piece of infrastructure to allow development to continue beyond 2005. The voluntary payment was in addition to the prepayment of water and wastewater development charges.

For the 2008/2009 Allocation Program, the requirement of a second feed water/wastewater main through Oakville and into Milton and funding of an accelerated road capital program (originally initiated by the developers in 2006) were some of the projects that necessitated the early payment of future DCs of $7,889 per SDE, in addition to the prepayment of water and wastewater DCs and road DC payments at subdivision agreement.

For the 2012 Allocation Program, the requirements of a Boyne deep sewer and expansion of the Mid Halton wastewater treatment plant together with the Ministry of the Environment (MOE) requirement to accelerate the sewer outfall to Lake Ontario and further acceleration of the road capital program have necessitated the proposed early payment of future DCs of $27,516 per unit, in addition to the water and wastewater DCs and road DC payments. Development was delayed by more than a year to implement this financing plan. Without the ability to collect each of these payments, the infrastructure would not have been able to be completed in a timely manner to accommodate growth.

The Regional development financial plan establishes the funding responsibility related to the financing of significant growth related capital that is required prior to the release of development. The development charges payment represents one component of the Developers funding share. However, to address the funding gap, the developers are required to provide front-end payments which are recovered through future DCs. The funding challenge and requirement for a front-ending payment is compounded by the limitation of the DCA, 1997 which prevents a municipality from recovering all of the growth related costs.

In summary, the Province needs to continue to provide to a municipality the flexibility to finance the funding gaps as identified in this report either through voluntary payments or front-ending to be recovered from future DCs to allow municipality's address their financial needs. Alternatively, the Province needs to once again become a funding partner to help fund significant up front growth related infrastructure. Any reduction to

the flexibility to finance growth related infrastructure will limit a municipality's growth such that the objectives of the Provincial Growth Plan will not be achieved.

It is recommended that province continues to provide flexibility to municipalities to use alternate financing and funding tools to finance significant growth related infrastructure cost to meet the Provincial growth plan.

Summary

In order to provide an effective growth funding mechanism and to promote infrastructure investments in the community, the current DCA needs to be revised to eliminate arbitrary discounts, ineligible service categories and mandatory exemptions to ensure for the "growth pays for growth" objective. The updated DCA should also incorporate the service level required for the community over the planning period and allow a municipally to address new service priorities. In addition, the updated DCA should reflect and support Councils' decision making authorities in managing the financial affairs of its municipality and provide required flexibility to design and implement own policies to achieve its economic and social objectives.

APPENDIX A

Growth Plan Population Growth Forecast for the GTA, 2011 to 2041

Growth Plan Population Growth Forecast for the Greater Toronto Area, 2011 to 2041

Municipality	2011	2031	2041	2011-2041	% Increase (2011-2041)	Share of Total Growth
Region of Halton	520,000	780,000	1,000,000	480,000	92%	15.8%
Region of Durham	660,000	960,000	1,190,000	530,000	80%	17.5%
Region of York	1,060,000	1,500,000	1,790,000	730,000	69%	24.1%
City of Toronto	2,760,000	3,080,000	3,400,000	640,000	23%	21.1%
Region of Peel	1,320,000	1,640,000	1,970,000	650,000	49%	21.5%
GTA Total	6,320,000	7,960,000	9,350,000	3,030,000		100.0%

Source: Growth Plan for the Greater Golden Horeshoe, Schedule 3 revised to 2041

APPENDIX B

Overview of Growth Related Regional Financing

Overview of Growth Related Regional Financing

For more than 20 years, the financing of growth-related water and wastewater infrastructure services to enable development to proceed has been a partnership between the Region and the development community.

This partnership and the approach to financing growth-related infrastructure differs from the Regions of Peel, York and Durham as those Regions received Provincial funding in the 1970s and early 1980s to finance such infrastructure. When it was time to proceed with large scale growth in Oakville in the mid 1980's in Halton there were no similar provincial funding programs available to fund Halton's growth-related water and wastewater infrastructure. Accordingly, this gave rise to Halton's long standing principle that an acceptable financing plan needed to be approved by Council prior to growth proceeding to protect the Region's tax and rate payers from impacts related to financing growth-related infrastructure.

In the early 1980s, prior to the first development charges legislation in 1989, these principles led to the implementation to the Master Servicing and Financing Scheme in Georgetown and Oakville, which required developers to front-end the cost of the water and wastewater infrastructure. Under this development arrangement, the developers were ultimately responsible for paying the actual cost of infrastructure.

With the implementation of the first development charges legislation in 1989 and with Council approval of Halton's first DC by-law in 1991, Halton maintained its principle of protecting the tax and rate payers from the impacts of growth-related cost by requiring residential developers in subsequent phases of development in Oakville to prepay their water and wastewater DCs, starting in 1992.

This approach required an approved DC by-law in place to ensure that all growth related costs that can be recovered under the DC By-law from growth will be recovered, an approved capital plan to show Council's intent on proceeding with the growth-related infrastructure and an approved financing plan to ensure Halton's tax and rate payers are protected from the impacts related to such costs.

In its simplest form, Halton's Development Financing Plan involves the following:

- Once a DCs by-law was in place with an approved capital forecast which included the capital forecast in the DC Background Study, the Region would then identify how many units within the growth forecast would proceed to develop within a certain period of time. This is known as the allocation program.
- The Region would then identify the growth related water and wastewater projects in the Council approved capital forecast that are required to service development for this Allocation Agreement. The total cost of these projects has two main components: a residential development funding share and non-residential development funding share.
- Finally, a financing plan would be prepared to determine whether the prepayment of residential water and wastewater DCs prior to subdivision agreement is sufficient to fund the residential share of the water and wastewater growth-related infrastructure needed to service the development.
- The non-residential share would be interim funded by the Region from the Regional Revolving Fund reserve and debt, which would be recovered from future non-residential DCs.
- This Revolving Fund reserve was established in the early 1990s to enable the internal borrowing from reserve and limit the external debt to protect the tax and rate payers in the Region. The financing plan recognized that residential-led development would result in timing differences between the financing of the non-residential cost share and when non-residential DCs

would be collected as the residential development drives the timing of the infrastructure. The borrowing from the Revolving Fund reserve to fund the non-residential share of the residential led water and wastewater infrastructure requirements was a way of assisting the residential developers to service their development in a timely manner and protect the tax and rate payers of the region. Without this method of interim funding through the borrowing of reserves, the funding of the non-residential share of the costs would have to come from the non-residential developers, which would ultimately delay growth.

- Once approved by Council, the Allocation Program would be implemented whereby residential developers would enter into a development agreement (under Section 27 of the DCA, 1997) to prepay their water and wastewater DCs.
- This practice of releasing development in Oakville and Milton (Halton Urban Structure Plan (HUSP)) starting in 1999 was efficient and mitigated the risk to the developers and ensured the cost and ultimate financing of such infrastructure did not impact on Regional tax and rate payers.

Since 1991, the foregoing has been Halton's approach to financing growth-related infrastructure, a model based on a Regional and developer partnership to provide water and wastewater infrastructure to service growth in a timely manner.

For the most part up until 2004, each allocation program generated sufficient residential water and wastewater DCs from the early payment of water and wastewater DCs to fund the residential share of the required infrastructure costs.

Starting in 2005, circumstances changed whereby more significant and costly infrastructure was required to service growth in the allocation programs. This resulted in a funding gap between the residential funding share and the residential DC revenues generated from the prepayment of DCs for water and

wastewater services. In particular, the major drivers of this funding gap were as follows:

- For the 2005 Allocation Program, the need for a new water treatment plant was required, which necessitated the voluntary payment of $1,650 per SDE, in addition to the prepayment of water and wastewater DCs.
- For the 2008/2009 Allocation Program, the requirement of a second feed water/wastewater main through Oakville and into Milton and funding of an accelerated road capital program (originally initiated by the developers in 2006) necessitated the early payment of future DCs of $7,889 per SDE, in addition to the prepayment of water and wastewater DCs and road DC payments at subdivision agreement.
- For the 2012 Allocation Program, the requirements of a Boyne deep sewer and expansion of the Mid Halton wastewater treatment plant together with the Ministry of the Environment (MOE) requirement to accelerate the sewer outfall to Lake Ontario and further acceleration of the road capital program have necessitated the proposed early payment future DCs of $27,516 per unit, in addition to the prepayment of water and wastewater DCs and road DC payments at subdivision agreement.
- The voluntary payment of $1,650 per unit in the 2005 allocation program was made under *the Municipal Act, 2001*, S.O. 2001, c. 25, as amended (Municipal Act) and as such was subject to no reimbursement. During the 2008/2009 Allocation Program proposals were made by the Region to provide funding under the Municipal Act, some of which would be flowed back in subsequent Allocation Programs. However, BILD requested during Phase 2 of the 2008/2009 Allocation Program that any payment in addition to the prepayment of water and wastewater DCs was to be made under the DCA to ensure recovery of the payment. Accordingly, the Early Payment of Future DCs of $7,889 made under the 2008/2009 allocation will be flowed back over the next 10 years through the DC Recovery By-law approved by Council in 2012.

- The Development Financing Plan approved by Council for the 2012 Allocation Program proposed a similar early DC payment of $27,516 per SDE that will be flowed back to the developers. Although the original structure included a recovery similar to the 2008/2009 allocation program, after further discussion, BILD insisted that this time the recovery be made under the Front-End provision of the DCA to ensure certainty of recovery.

History of Financing Plans and Residential Development Allocation Programs

Halton's comprehensive, prudent financial management practice has culminated to successful residential development allocation programs.

Master Service and Financing Scheme (1989) – Facilitated 13,000 SDEs:
The Region implemented the Master Servicing and Financing Scheme in Georgetown and Oakville, which required developers to front-end the cost of the water and wastewater infrastructure. Under this development program the developers were ultimately responsible for paying the actual cost of infrastructure.

Allocation Programs (1991-1998) – Facilitated 9,500 SDEs:
With the implementation of the first DCA in 1989 and Council approval of Halton's DC by-laws in 1991 (subsequently updated in1993 and in 1994), the Region accommodated growth in the Oakville Urban Phase 2 areas between 1991 and 1998 with a release of total 9,000 SDE residential units based on the financial plan as set out in Report No. FN171-91.
Halton maintained its principle of protecting the tax and rate payers from the impacts of growth-related cost by requiring residential developers in subsequent phases of development in Oakville to prepay their water and wastewater DCs, starting in 1992.

1999 Halton Urban Structure Plan (HUSP) – Facilitated 20,025 SDEs:

Undertook the Halton Urban Structure Review (HUSR) Study (1988) – the Region undertook a strategic planning exercise, entitled “the Halton Urban Structure Review (HUSR) Phase One Study” in 1988, which identified alternative growth scenarios. This study included the fiscal impact assessment, which combined the results of the capital and operating costs analysis and an assessment of the Region’s ability to finance the various growth scenarios informed by the existing financial framework used by the Region.

Approved HUSP Financial and Implementation Plan (HUSP Plan) (1998) - The HUSR resulted in the Halton Urban Structure Plan (HUSP) approved by Council in 1998 (Report No. CS-71-98/PPW62-98 re: Financial and Implementation Report).

- Approval of the HUSP Plan allowed the adoption of ROPA 8, which expanded the urban boundaries in Burlington, Oakville, Milton and the 401 Corridor in Halton Hills (i.e. HUSP) and incorporated policies that would require Council approval of an acceptable financial plan before further development is released in the HUSP Urban Expansion areas (Section IIIB2e of the 1995 ROP).
- This plan set out infrastructure staging plan and financial plan to facilitate growth-related infrastructure, particularly water and wastewater, to service development in expanded urban areas in HUSP.

Updated DC by-laws (1999) – DC By-laws No. 117-99 (Region-wide DCs for Roads and general services) and No. 65-99 (HUSP Area-specific DCs for Water and Wastewater services) were updated based on HUSP Financial and Implementation Plan.

Implemented Allocation Programs (1999–2004) – residential Allocation Programs were implemented between 1999 and 2004, based on the HUSP financial plan (Report No. CS-71-98/PPW62-98) and the DC by-laws (No. 117-99 and 65-99), releasing 20,025 SDEs in Oakville and Milton.

Direction to update the HUSP financial plan:

- Council resolved through Report No. CS-90-04 (re: Financial Plan To Release 3,346 SDE Units in HUSP Phases 1B & 2A), which approved the

last allocation program under the HUSP Plan (Report No. CS-71-98/PPW62-98), that any subsequent development beyond 3,346 SDE units would require an update to the annual water and wastewater monitoring report, revised financial plan and a review of capital infrastructure requirements.

- Report No. CS-90-04 also stated that the existing approach to having the residential developers prepay the residential water and wastewater DCs and the Region finance the non-residential share of costs through DCs/debt financing/Regional Revolving Fund reserve would need to be reviewed. The significant costs and the development spanning over two major urban areas (Milton and Oakville) could require residential developers' funding that is in excess of the residential share of the cost in order to mitigate financial implications. Accordingly, it was likely that some costs required for the next Allocation Program would be provided under the Municipal Act.

2005 Allocation Program – Facilitated 7,386 SDEs:

Updated growth projections (2003) – Halton's growth projection was updated in 2003 (i.e. Halton's BPE, 2003). Anticipated incremental population growth in the 2003 BPE between 2004 and 2016 was increased by 9,179 people compared to the HUSP plan for the same period.

Updated Master Plans (2003) – Water/Wastewater and Transportation Master Plans were updated in 2003 (Report No. PPW14-03, Report No. PPW37-03, Report No. PPW92-04,) with an estimated total program cost of $1.5 billion between 2004 and 2020 in support of the 2003 BPE.

- The Water and Wastewater Master Plan, in particular, set out four major plant expansion/construction projects within 10 years, with two of the four projects scheduled to occur virtually simultaneously in 2005 and 2006. This raised significant financial risk for the Region.

Updated DC by-laws (2004) – The following DC by-laws were updated based on the updated 2003 BPE and master plans:

- By-law No. 102-03 (Water and Wastewater DCs for HUSP Employment area excluding North Oakville)
- By-law No. 57-04 (Water and Wastewater DCs for HUSP and Non-HUSP areas)
- By-law No. 99-04 (Region-wide DCs for Roads and General Services)

Approved financing principles to update the HUSP Plan (June 2005) – Financing principles to update the HUSP Plan and to facilitate subsequent allocation programs were approved by Council in June 2005 through Report No. CS-49-05/PPW84-05 (re: the Financing Principles for a 10-year Financial Plan Strategy for Development-related Water and Wastewater Capital Plan). This report directed and authorized staff:

- To prepare the 10-year Financial Plan Strategy, including the financial and implementation plan for the 2005 Allocation Program. It is stated that no allocations are guaranteed and that the sequencing of allocation is not in any way assured, until funding provisions and infrastructure scheduling are addressed.
- To hold a landowners' meeting to present the financing principles of the 2005 Financial and Implementation Plan.
- Upon completion of the consultation process, to present the recommended 10-year Financial Plan Strategy, including the 2005 Financial and Implementation Plan to Council for approval.

Approved 2005 Financial Plan (November 2005) – After the Region undertook an appropriate consultation process with the development community, the 10-year Financial Plan Strategy, including the 2005 Allocation Program, was approved by Council under Report No. CS-83-05/PPW138-05 (re: Financial Plan to Allocate 7,386 SDE Residential Units to Milton HUSP and South Oakville) in November 2005.

- The 2005 Financing Plan (Report No. CS-83-05/PPW138-05) instituted non-refundable charges ($1,250 per SDE) to residential developers participating in the Allocation Program under the Municipal Act based on an extensive consultation process with the development community, in

order to mitigate substantial financial risks for the Region raised by the updated infrastructure plan (the 2003 Master Plans).

- The 2005 Financial Plan (Report No. CS-83-05/PPW138-05) also used the Municipal Act to mitigate financial risks arising from cost increases experienced in the then current construction market. The financial plan provided an additional amount under the Municipal Act from developers, participating in the 2005 Allocation Program, for the case that the cost of the Burloak water purification plant would be increased by a material amount at the project tender stage. Accordingly, when the actual tender of the plant in the spring of 2006 resulted in significant funding shortfalls, the additional amount of $400 per SDE was used to fund a majority of the increased cost of plant construction.

Implemented the 2005 Allocation Program - The 2005 Allocation Program released a total of 7,386 SDEs.

Accelerated roads projects (2006):

- With the implementation of the Allocation Programs, between 2001 and 2005, the Town of Milton's population increased from 32,000 to approximately 54,000. The significant growth in Milton over this period has resulted in a corresponding increase in traffic demand. Public survey identified that the road network in Milton as having the highest importance.
- In recognition of the community's perception with respect to level of service provided by the road system and the impact of development, Mattamy Homes approached the Region and Town with an offer to provide substantial assistance in the implementation and financing of an Accelerated Transportation Capital Program (Report No. PPW60-06 re: Accelerated Transportation Capital Program), with the following objectives:
    - To the extent possible, improvements are completed in advance of development, and

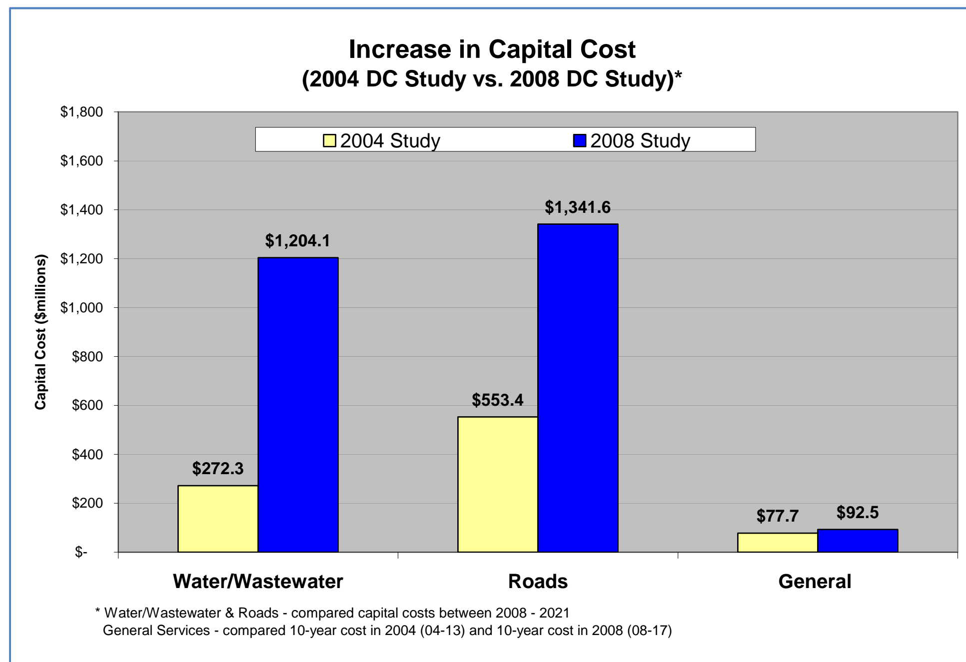
  - Efficient access to alternate routes is provided and communicated to the public so that the impact of proposed road construction works on the community is minimized.
- As a result, Mattamy Homes facilitated the acceleration of the Regional road projects (R2046B – widening of Derry Road & R2278B – construction of James Snow Parkway) from a 2008-2010 period to a 2006-2007 period, by funding the Regional construction of the project R2046B at an estimated cost of $17 million, and by financing and constructing the project R2278A at an estimated cost of $6.0 million. It was agreed under Servicing Agreements that the funding provided by the Mattamy Homes would be reimbursed by the Region when the funding is approved in the capital budget by Council.
- Based on concerns raised by the public regarding the schedule of the then current roads program and the willing participation of development community in financing the acceleration of roads program, the Region updated the Transportation Master Plan in 2007 with an aim to provide transportation infrastructure at the time it is needed for development. The Region's subsequent Development Financing Plan in 2008 also reflected the advanced funding for roads program by development community.

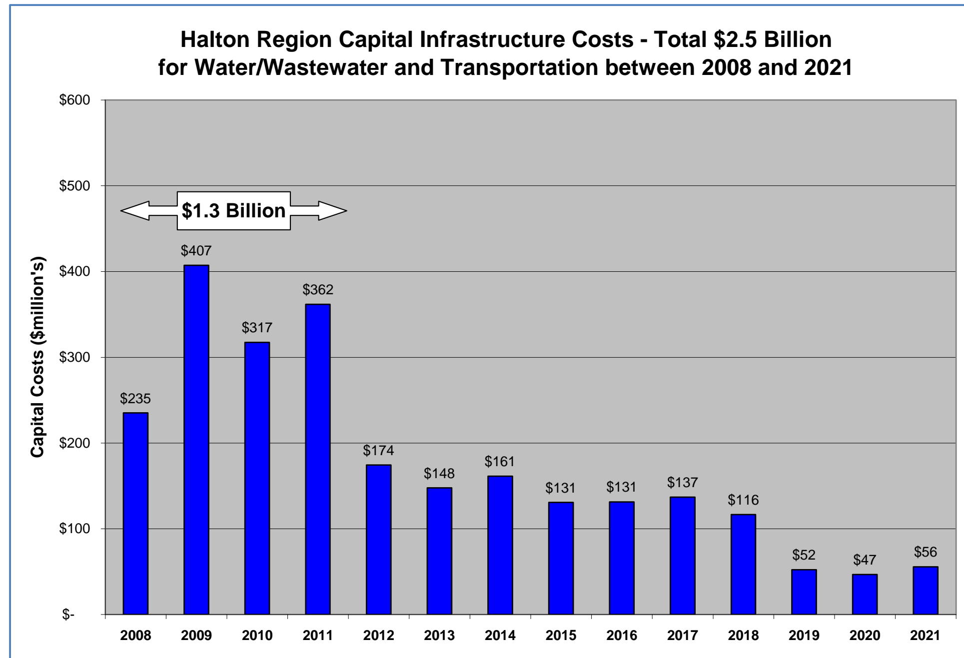
2008 Financing Plan and 2008/2009 Allocation Program – Facilitated 8,951 SDEs

Updated Growth projection (2007) - the 2007 BPEs were endorsed by Council through Report PPW73-07, which included an additional 36,600 population expected in the Town of Milton.

Updated Master Plans (2007 – 2008) - The South Halton Water and Wastewater Master Plan Update (Report No. PPW09-08) and the Transportation Master Plan update (Report No. PPW36-08) were approved by Council in 2008, which reflected significant cost increases due to the construction market conditions and the infrastructure to support the updated 2007 BPEs.

- The Master Plans identified the requirement for $2.5 billion of water, wastewater and transportation infrastructure from 2008 to 2021. The cost of the water and wastewater growth-related capital program had increased 340% to $1.2 billion and the transportation capital program had increased 140% to $1.3 billion since 2004. The Region also funded the 10-year $550 million, water and wastewater non-growth (State-Of-Good-Repair) capital program which was also under considerable cost pressure. Also contributing to the challenge of funding, this expanded program was the required timing of the infrastructure. Over $1.3 billion of the $2.5 billion is required in the first four years of the forecast.





Reviewed challenges with stakeholders (2008 Feb – Jun) - the significant challenge related to financing the required water, wastewater and transportation infrastructure was reviewed with the Regional Council, Province and the development community as follows:

- January – May 2008 – Meetings with Ministry of Public Infrastructure Renewal
- February 27, 2008 – Presentation at a special meeting of Council
- June 8, 2008 – Presentation at the Building Complete Communities Summit

Updated DC by-law (2008) – DC by-law No. 62-08 was approved by Council in May 2008 (Report No. CS-33-08), which incorporated the updated BPE and infrastructure Master Plans. The DC Background Study indicated that:

- The Region intended to implement the projects set out in this Study through its usual practice of preparing financial plans prior to the release of water and wastewater capacity over and above the capacity allocated under the 2005 Financial/Allocation program.
- These plans would consider the projects (including roads) to be financed and could use a combination of various financing techniques.

- The financial plan could also consider the staging of projects and, therefore, the timing and sequence of development to achieve the fiscal objectives of the Region under the Region's OP.

Prepared for the Regional financing requirements (September 2008) - Report CS-52-08 (the 2009 Budget Directions) set out the Region's financial framework in order to facilitate growth and the related infrastructure requirements as set out in the 2007 BPE and the Master Plans:

- Through this framework, the Region provided the key financing measures to enhance its internal borrowing capacity from the Revolving Fund to address the significant requirements of the revised capital program and provide the required financial capacity in accordance with the Region's development financing principles.
- These measures provided the financial capacity to interim-finance development capital projects, which would be repaid from future DC collections.
- Included in the framework was the principles for the development financing plan which were implemented in order to protect the Region's tax and rate payers from impacts related to financing growth-related infrastructure and protect the Region's strong financial position to ensure that the Region can respond appropriately to any financial challenges, such as downturns in the economy or changes in funding relationships from the Province or the Federal Government. The principles include:
    - The development financing plan will not impact the 2009 or subsequent years forecasted tax and rate increases
    - The development financing plan will not require the Region to exceed its own debt capacity levels
    - The repayment assumptions for Regional interim financing will assume a conservative "slow growth" scenario to ensure that economic conditions do not create unexpected impacts to the Region

  - All growth-related costs that can be recovered under the DC by-law from growth will be recovered
  - Halton's strong financial position and financial planning principles will not be compromised

Developed ISP and Financing Plan framework (November 2008) - The Infrastructure Staging Plan (ISP) and Development Financing Plan Framework (Financing Plan Framework) was approved by Council through Report No. CS-73-08/PWE31-08 (re: 2008-2021 Infrastructure Staging Plan and Development Financing Plan Framework).

- The Financing Plan Framework set out financing principles to deliver the necessary infrastructure to facilitate growth between 2008 and 2021 with no unanticipated impact to existing taxpayers and ratepayers, while managing the Region's State-Of-Good-Repair program. The Region's water and wastewater State-Of-Good-Repair program had been growing as the asset base was growing due to new infrastructure constructed for growth.
- With an approval of the Financing Plan Framework, Council directed and authorized staff to:
  - Hold a landowner meeting to outline ISP and Development Financing Plan Framework as approved in Report No. CS-73-08/PWE31-08
  - Negotiate with the developers the terms of the Financial/Allocation agreements based on the principles set out in Report No. CS-73-08/PWE31-08
  - Upon completion of the negotiation with the developers, present the recommended 2008/2009 Financial and Implementation Plan, including Financial/Allocation Agreement terms to Council for approval
  - Should the interest in the units not be sufficient to support the program, develop a revised plan to reflect the slower take-up of

units consistent with the principles of the Development Financing Plan Framework

- The ISP in the Financing Plan Framework (Report No. CS-73-08/PWE31-08):
    - Refined timing of the projects to reflect realistic timing of future uptake of units and identified the opportunities to optimize the use of the existing infrastructure and to fast-track implementation of projects. As a result, ISP recommended changes from the water, wastewater and transportation master plans.
    - Anticipated allocation programs for a total of 30,352 SDEs between 2008 and 2021, including 11,005 SDEs in 2008, 11,702 SDEs in 2011 and 7,645 in 2013.
    - Estimated water and wastewater infrastructure at a cost of $753.4 million to support these allocation programs and required to accelerate key road infrastructure into the first five years of the program at an estimated cost of $201 million.
- The Development Financing in the Financing Plan Framework (Report No. CS-73-08/PWE31-08) set out the following:
    - Financing of infrastructure cost between 2008 and 2021 - the $2.5 billion will be financed by:
        - $1.353 billion from residential development, consisting of $1.215 billion of DCs and $138.5 million of non-recoverable contributions.
        - Residential-led development in the allocation areas in Milton and Oakville will require a Development Financing Agreement to address up-front financing of the $459 million for water and wastewater costs and $50.8 million for the accelerated road program.
        - $964.7 from the Region, consisting of $717.4 million of interim financing relating to non-residential and oversizing costs that will ultimately be recovered from DCs, and $247.3

million relating to the non-growth (benefit to existing taxpayers) share of the development program.

- Financing of infrastructure cost between 2008 and 2010 (i.e. the 2008 Financial and Implementation Plan) for Water and Wastewater - the $286.9 million will be financed by:
  - $212.5 million by the residential developers, consisting of $187.9 million of DCs and cash flow payment and $24.6 million of non-recoverable contribution.
  - $85.2 million by the Region, consisting of $83.8 million of interim financing for ICI share and oversizing and $1.4 million for non-growth.
- The resulting financing requirements from residential development per SDE unit was estimated at $38,566, consisting of $26,649 of Water, Wastewater and Roads DCs, $7,327 of Cash Flow payment and $4,590 of non-recoverable contribution.
- The plan set out principles related to the Financial/Allocation agreements, including terms that:
  - there is no recovery for the non-recoverable contribution.
  - the outstanding cash flow amount will be recovered from subsequent allocation programs and flow through to the first allocation developers.
  - Residential developers are required to enter into an agreement to finance projects that support the allocation of units in this program.
  - Development will not proceed until the Financial/Allocation agreements are executed and securities are received to the satisfaction of the Commissioner of Corporate Services and Regional Treasurer.

Consultation with development community (2008-2009) - Before and after the approval of Report No. CS-73-08/PWE31-08, the Region undertook an extensive consultation process with developers in Milton and Oakville between 2008 and

2009. There was a special Halton Developer Liaison Committee meeting held September 19, 2008. There were 16 technical and financial meetings held between September 19 and October 23, 2008 with the Towns of Milton, Oakville and the developers in both.

Refined the size of the 2008/2009 Allocation (May 2009) – the originally estimated 11,005 SDEs for the 2008 Allocation Program in the ISP (Report No. CS-73-08/PWE31-08) was reduced to a total of 8,951 SDEs as confirmed by the Towns of Oakville and Milton based on interest expressed by developers.

Revised the 2008 Financial and Implementation Plan (May 2009) – the Region revised the 2008 Financial and Implementation Plan initially included in Report No. CS-73-08/PWE31-08 based on the consultation with development community. In the revised plan:

- The ISP was refined to identify any opportunities to phase the program further to reflect lower take up of allocation based on the approved 8,951 SDEs and the development locations. As a result, $55.0 million of the cost previously required for the 2008/2009 allocation program (i.e. $286.9 million) was moved into the 2011 allocation program.
- The total financial payment was reduced from $38,566 to $36,963 per SDE

Reviewed the revised 2008 Financing and Implementation Plan with development community (May – June 2009):

- The Region held Landowners' meetings to present and discuss the revised 2008 Financial and Implementation Plan.
- Of the approved 8,951 SDE units, developers of 5,831 units expressed their inability to participate in the 2008/2009 Allocation Program.

Approved the revised 2008 Financial and Implementation Plan (July 2009) – Taking into consideration the results of the further consultation with development community (as described in Sections 3.3.6.7 to 3.3.6.10 above), the 2008 Financial and Implementation Plan for the 2008/2009 Allocation Program was further refined and presented to Council through Report No. CS-49-09/PW-20-

09/LPS80-09 (re: the Financial and Implementation Plan for the 2008/2009 Allocation Program).

- The recommended plan included:
    - A total of 8,951 units participating in the 2008/2009 Allocation Program at an estimated cost of $231.5 million.
    - The 2008/2009 Allocation Program phased into the initial phase (phase 1) with 2,697 SDEs at an estimated cost of $52.0 million and the subsequent phase (phase 2) with 6,254 SDEs at an estimated cost of $179.5 million.
    - The total financial payment requirement of $36,963 per SDEs, consisting of $29,075 of DCs, $3,299 of cash flow payment, and $4,590 of non-recoverable contribution (in the case of HUSP development).
    - The Region provides interim financing of $17.0 million for residential growth to facilitate the second feed water and wastewater main projects by borrowing funds from the Region's Investment Revolving Fund, which will be paid back, with interest, when the Phase 2 Allocation proceeds.
    - The Region would adjust the financial payment to reflect any project cost changes on or about July 15, 2010, at which time the majority of the projects are expected to be tendered. Financial risk resulting from the project cost increase subsequent to this date would be borne by the Region.
- Report No. CS-49-09/PW-20-09/LPS80-09 discussed risk associated with a removal of the cash flow charge from the payment requirement and stated that, given Region's significant financing commitments to the development infrastructure program and the significant pressures on the Region's property taxes and water and wastewater rates, Regional financing of the cash flow requirements for the 2008/2009 Allocation Program was not recommended.

- Report No. CS-49-09/PW-20-09/LPS80-09 was discussed extensively at Administration and Finance Committee on July 8, 2009 and at Council meeting on July 15, 2009 with an exchange of the comments and questions raised from Halton tax payers, Councillors and the development industry and the responses provided from staff. Regional Council approved the plan on July 15, 2009 with the following resolution:

  > "THAT the Halton development industry be requested to provide a written proposal to the Region within 30 days of Council approval of Region No. CS-49-09/PW-20-09/LPS80-09 which addresses alternatives to the financing mechanisms and payment timing contained in the Financial and Implementation Plan for the 2008/2009 Allocation Program, and following the receipt thereof that staff be directed to consult with the Halton development industry and report back to the Administration and Finance Committee meeting on September 30, 2009".

<u>Modified the 2008 Financial and Implementation Plan (2009)</u>:

- The Region consulted further with BILD as directed by Council, which resulted in Report No. CS-78-09/LPS112-09 (re: BILD Proposal re: the Financial and Implementation Plan for the 2008/2009 Allocation Program), which was approved by Council to modify the previously approved 2008 Financial and Implementation Plan (Report No. CS-49-09/PW-20-09/LPS80-09).
- The Report recommended, while all other requirements of the plan approved in Report No. CS-49-09/PW-20-09/LPS80-09 remain unchanged, the following modifications to the Financial and Implementation Plan:
  - Provide a credit to the developer, for the amount of the cash flow and other contribution, to be recovered when available from future residential DCs as a DC credit or cash. The cost of the credit will be included in future DC updates beginning with the update in 2011.

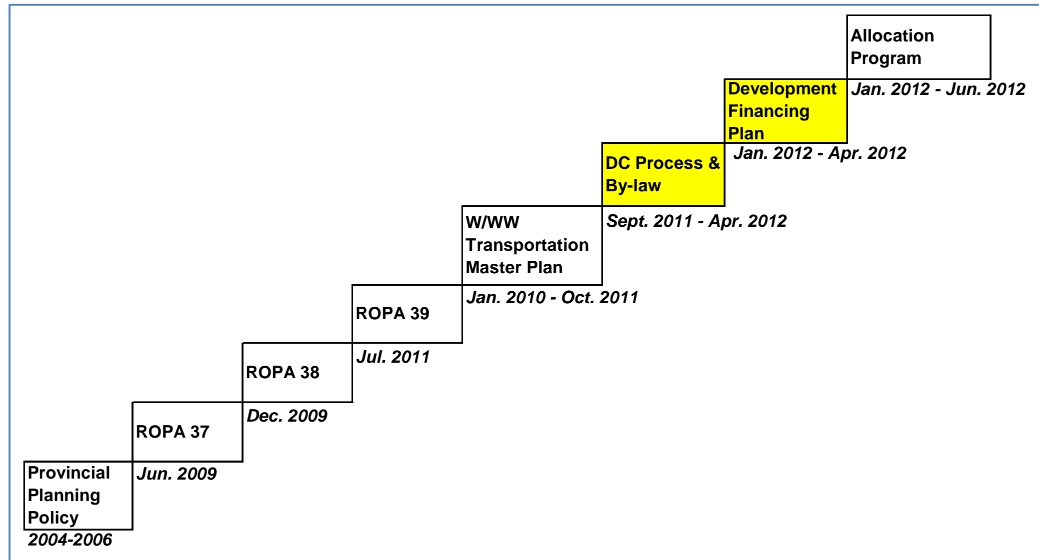
    There will be no indexing or interest to the credit and the credit will expire in 2021.
    - The ability to provide a credit reimbursement will be predicated on the Region's ability to include these costs in future DC updates and collect them within the 2021 planning horizon.
    - The results of the recommended revisions are that all amounts paid could be recovered, in contrast to the approved Financial and Implementation Plan for Phase 1, which included a non-recoverable component. The revision affects both Phase 1 and Phase 2 of the 2008/2009 Allocation Program. As a result, the funding provided by the developers in Phase 1, in addition to DCs, that was non-recoverable became recoverable.
- The developers agreed during the consultation process that a separate DC by-law for the flow-back recovery is appropriate for the purpose of an audit trail and transparency.

Implemented Phase 2 Allocation Program (2010) – Based on the modified Financing Plan (Report No. CS-49-09/PW-20-09/LPS80-09 and Report No. CS-78-09/LPS112-09), the Region implemented the Phase 2 Allocation Program (6,254 SDEs).

- The Phase 2 Allocation Program allocated water/wastewater capacity to high-density developments, which required further modifications to the 2008 Financial and Implementation Plan:
    - In recognition of cash flow issues faced by high-density development, the timing of the payment of Early Payment of Future DCs and water and wastewater DCs was delayed from the Financial/Allocation Agreement stage to the site plan stage.
    - Due to cash flow issues arising from the delayed payment by the high-density development, the Region interim-funded the high-density residential share of the infrastructure cost using its Revolving Fund reserve. The Region's interim funding will be recovered when the high-density development proceeds.

2012 Financing Plan and 2012 Allocation Program – 14,000 SDEs Planned

Continued to carry out the Region's Financial Management Framework, following the required update process (2009 – 2012):



- Updated ROP (2009 – 2011) - the Region updated the ROP between 2009 and 2011 to incorporate the Provincial Growth Plan. Places to Grow legislation implemented by Province. As a result, Regional Council approved the phasing of growth and BPE (ROPA 39), which set out Halton's growth forecast to 2031.
- Updated Master Plans (2011) - Council approved the Region's water, wastewater and transportation Master Plans in support of anticipated growth to 2031 based on the 2011 BPE.
- Updated DC by-law (No. 48-12) - Council approved the 2012 DC By-law No. 48-12 (Report No. CS-19-12), which incorporated the 2011 BPE and the 2011 Master Plans.
- Updated Financing Plan (2012) – based on updated DC by-law, the 2012 Development Financing Plan was prepared and approved by Council (Report No. CS-20-12 re: 2012-2020 Development Financing Plan).

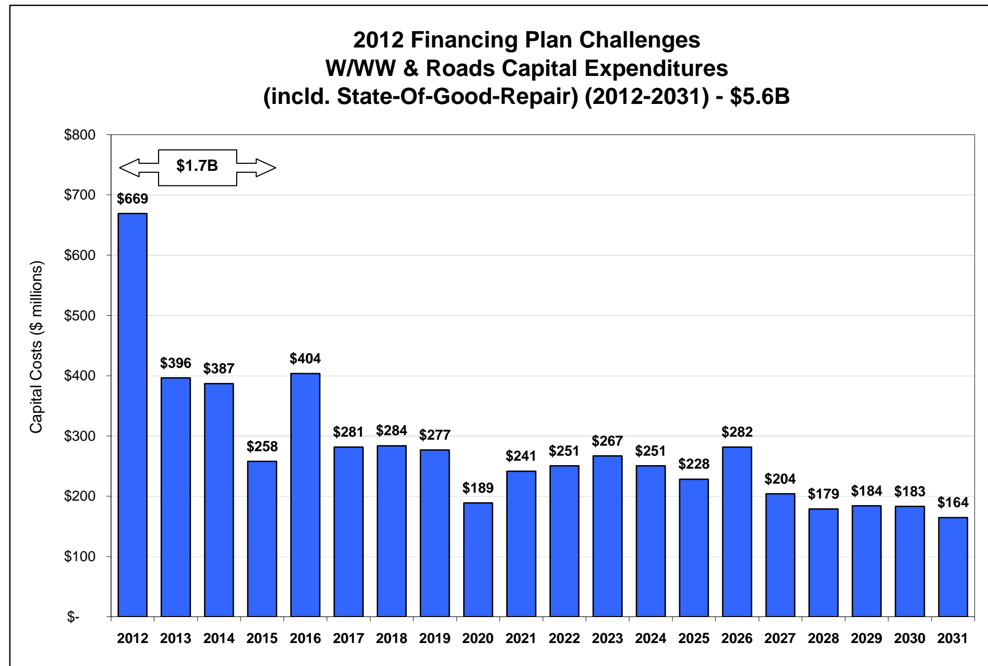
The 2012 Financing Plan (Report No. CS-20-12) was prepared based on the same financing principles adopted in the final 2008 Financial and Implementation

Plan (Report No. CS-49-09/PW-20-09/LPS80-09 and Report No. CS-78-09/LPS112-09) with some adjustments to address larger financial challenges. Consistent with the 2008 Financing Plan, Council authorized and directed staff:

- To negotiate with the developers the terms of the Financial/Allocation agreements for the 2012 Allocation Program based on the principles set out in Report No. CS-20-12
- Upon completion of the negotiation with the developers, to present the recommended 2012 Allocation Program to Council for approval

The 2012 Financing Plan addresses:

- Funding challenges over 20 years between 2012 and 2031:
    - The approved water, wastewater and transportation Master Plans include $4.3 billion of infrastructure requirements to primarily support growth between 2012 and 2031.
    - When the current water and wastewater State-of-Good-Repair program is added to the Master Plan requirements, the total infrastructure capital program to be financed over this same period is $5.6 billion. It is important to highlight the State-Of-Good-Repair program as this portion of the capital program is growing due to the increase in the asset base by new infrastructure provided for growth. This program must be funded by the Region.
    - The following chart shows the annual infrastructure requirements (including the state-of-good-repair program) based on the approved Master Plans. As shown in this chart, there are significant up front infrastructure requirements up front. Of the total $5.6 billion, $1.7 billion is required in the next 4 years.



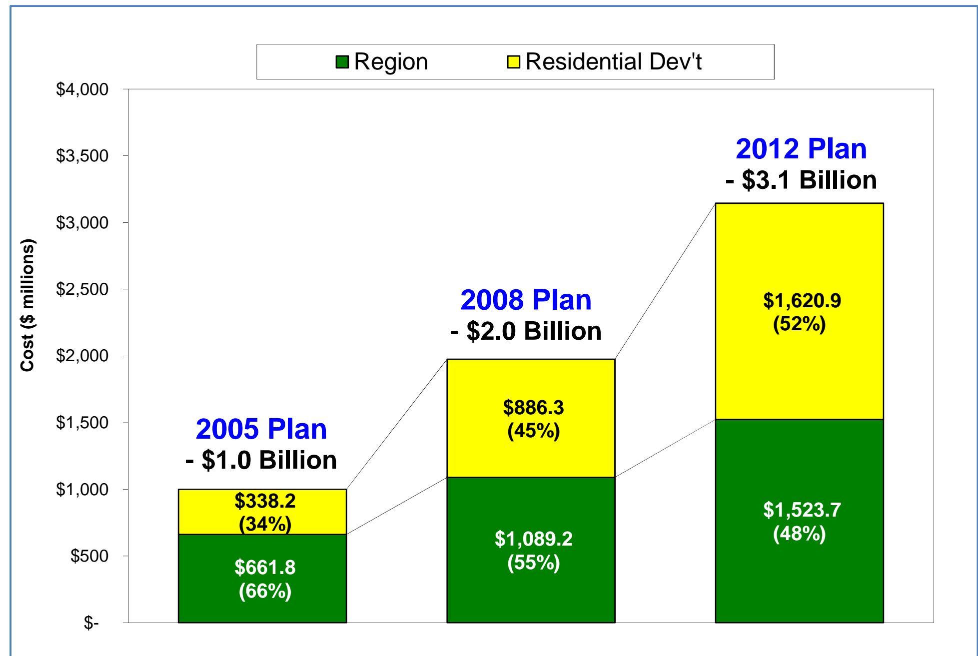
- This is largely driven by the water and wastewater program where significant investments are required to expand plants and build major distribution systems well in advance of the development occurring. Some of the major infrastructure required are:

Projects (e.g.)	2012-2015	2016-2020
W/WW	Mid-Halton Wastewater Treatment Plant outfall and expansion ($224M)	Mid-Halton Wastewater Treatment Plan Expansion (125 to 175 ML/d) ($93M)
	Boyne Wastewater Main ($72M)	Pump Station at Zone 4 Reservoir ($9M)
	Zone 4 Reservoir & Feedmain ($92M)	Burloak Water Purification Plant Phase 2 Expansion ($98M)
	Oakville Water Purification Plant Expansion ($24M)	Oakville Water Purification Plant Intake Extension ($9M)
Roads	Britannia Rd Widening (Tremaine Rd to HWY407) ($107M)	Dundas Street Widening (Appleby - Tremain, incld Bronte Creek Bridge & CNR crossing) ($73M)
	NNOTC - New 4-lane rd fr (RR#25 - 16 Mile Creek & Neyagawa - Trafalgar rd) ($67M)	NNOTC - New 4-lane rd (16M Creek - Neyagawa incld 16MCrk Bridge) ($75M)
	Tremaine Rd Widening (Britannia Rd to Derry Rd) ($26M)	Trafalgar Road. Widening (10 Side Road to Hwy 7) ($105M)

- Funding challenges over the first 10 years (2012-2016)
  - The 2012 Financing Plan focuses on 2012-2020 period as this period is relevant to the Region's 10-year Capital Budget Plan and

includes the planning period prior to Sustainable Halton (2021-2031).

- Of the $5.6 billion required over the next 20 years to 2031, $3.1 billion of infrastructure costs are required to be funded in the 2012-2020 time period.
- As shown in the following table, based on the updated Master Plans, the total funding requirements for the 2012-2020 period have increased by $1.1 billion, when the 2012 Financing Plan is compared to the 2008/2009 Plan, and by $2.1 billion when compared to the 2005 Plan:

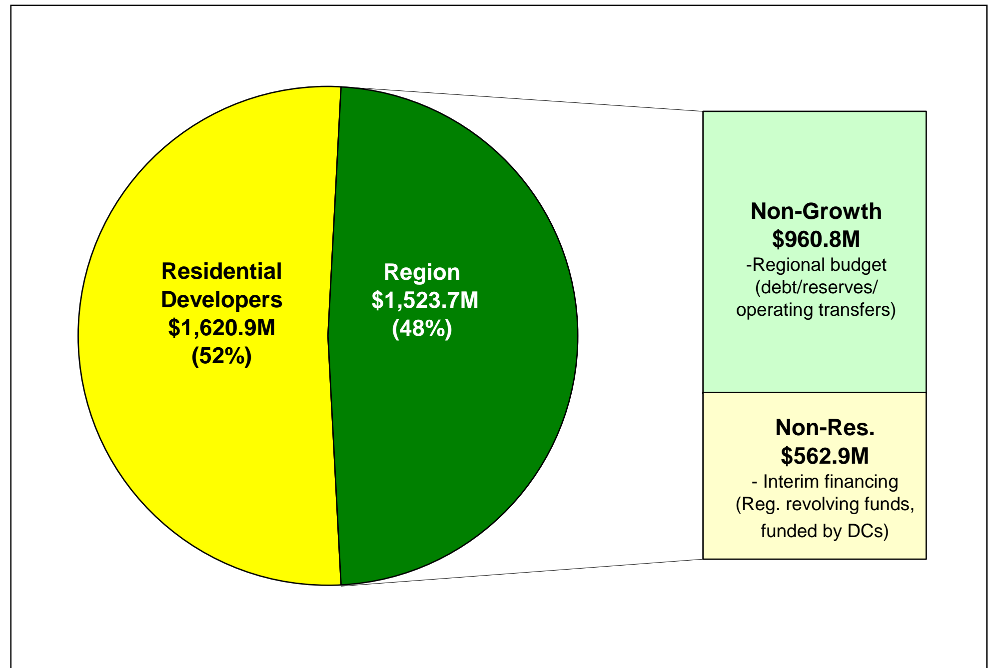


- As illustrated in the chart above, the funding required from both the Region and residential developers have increased significantly.
- The table below summarizes the funding responsibilities for the $3.1 billion of costs, based on the funding framework applied in the 2008 Plan, and the additional funding requirements ($1.04 billion) that must be addressed through the 2012 Financing Plan:

($000's)	Funding Required			Funding Available	Additional Funding Required
	W/WW	Roads	Total		
Residential Dev't	$ 994,038	$ 626,841	$ 1,620,880	$ 1,012,149	$ (608,731)
Region	989,857	533,870	1,523,727	1,089,240	(434,486)
Total	**$ 1,983,895**	**$ 1,160,711**	**$ 3,144,606**	**$ 2,101,389**	**$ (1,043,217)**

- As shown, the residential developers are responsible for funding $1.6 billion of costs.
- It is anticipated, based on the 2011 BPE and the outstanding unfunded capital works relating to residential growth, that $1.01 billion will be available from residential DCs over the period from 2012-2020.
- An additional $608.7 million must therefore be up front funded by the residential developers to address the shortfall in funding.

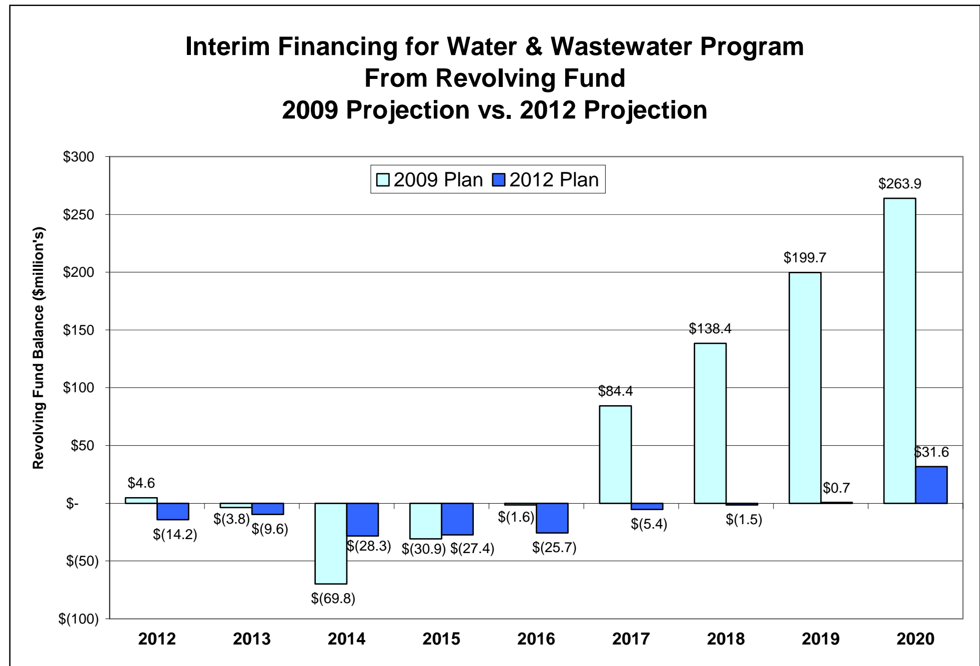
- The Regional Funding Requirements:
  - The Region is responsible for funding $1.5 billion of costs. Based on the 2008/2009 Financial Plan, the Region had financing of $1.1 billion planned over the 2012-2020 period. Accordingly, the Region needs to fund an additional $434.5 million.
  - As shown in the following chart, the Region's $1.5 billion funding responsibility under the 2012 Financing Plan consists of:
    - $960.8 million for non-growth requirements and
    - $562.9 million for interim financing of the non-residential share costs



- The $960.8 million of non-growth costs includes:
  - $568.6 million of water and wastewater State-of-Good-Repair costs for 2012 - 2020 included in the 2012 Budget and Forecast.
  - The balance of $392.2 million ($132.1 million water and wastewater, $260.1 million transportation) represents the benefit to the existing (BTE) community of projects identified in the infrastructure master plans which are also State-of-Good-Repair costs.
  - The financing of all of the State-of-Good-Repair projects will need to be prioritized in the budget together to ensure the impact on the rates is within budget guidelines. These costs are addressed annually in the budget process.
- The $562.9 million of the interim financing:
  - $562.9 million is the interim financing provided by the Region for the non-residential share of the infrastructure programs that are driven by the residential development.
  - The Region has historically provided interim funding in recognition of the fact that the timing of the infrastructure is

being driven by the residential developers and is delivered well in advance of non-residential requirements.

    - To ensure that this interim financing does not impact tax or water and wastewater rates, the Region uses internal borrowing for these requirements. The Revolving Fund Reserve is used for the growth water and wastewater program and the Tax Capital Reserve for the transportation program.
    - Ultimately, these Regional reserves will be fully reimbursed including interest from the collection of DCs, as non-residential development proceeds in the future.
- The Region's interim financing poses the financial risk to the Region:
    - Of the $562.9 million interim financing required for the non-residential cost, the Region will borrow a total of $552.2 million from its own reserves, consisting of the Revolving Fund Reserve ($278.4 million for water & wastewater) and the Tax Capital Reserve ($273.8 million for transportation) to finance the non-residential costs led by residential development. The balance of $10.7 million will be provided by the Region through debt for the non-residential share of employment land servicing costs.
    - The chart below (as depicted in CS-20-12) summarizes the expected cash flows for the Revolving Fund Reserve between 2012 and 2020, compared to the 2008 Financing Plan projection for the same period:



i. As shown, the requirements from the Revolving Fund Reserve have significantly increased due to the increased cost of the infrastructure program.

ii. The cash flows include the Region's interim financing to support high-density development, consistent with the 2008 Financing Plan, by delaying the required DC and early payments to site plan approval.

iii. In the 2008 Financing Plan, it was projected that the Revolving Fund Reserve would achieve significant positive balances by 2017. In the 2012 Financing Plan, there is only a small positive balance projected by 2020.

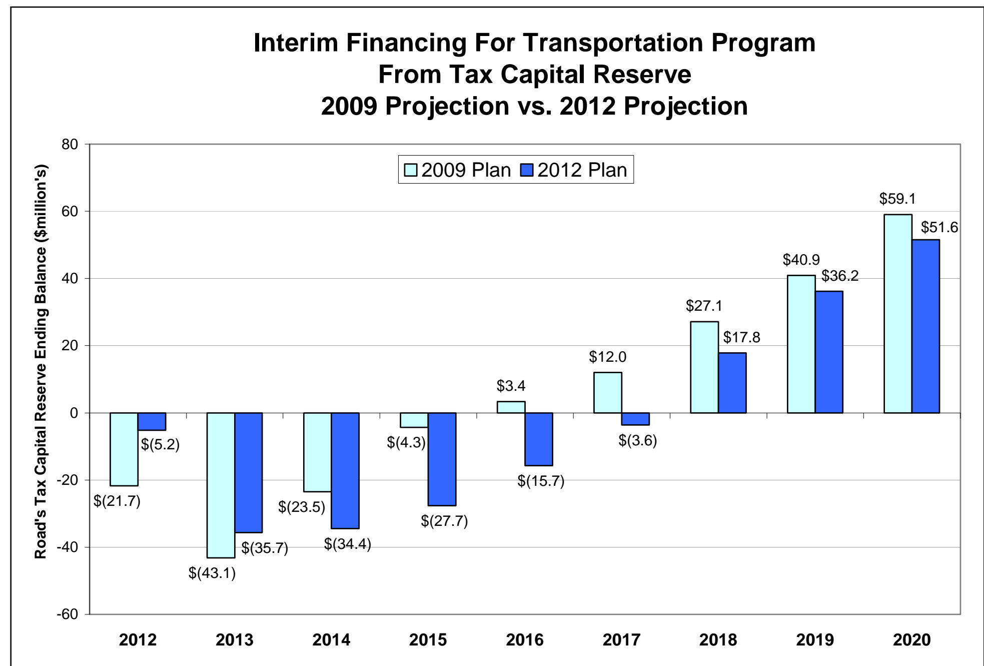
iv. The balance of the Revolving Fund Reserve is expected to be negative for most of the forecast period.

v. The total owed to the Revolving Fund Reserve by the non-residential developers at December 31, 2011 was $51.9 million. This amount is included in the 2012 DCs By-law which will ensure that that Region will be

repaid by 2031. It is projected that the amount owed to the Region at 2020 will be $228.8 million (excluding interest).

vi. There is very little flexibility in the Revolving Fund Reserve to address any potential capital cost overruns or changes to the program to 2020.

- The chart below (as depicted in CS-20-12) summarizes the expected cash flows from the Tax Capital Reserve related to the transportation non-residential funding between 2012 and 2020, compared to the 2008 Financing Plan projection for the same period:



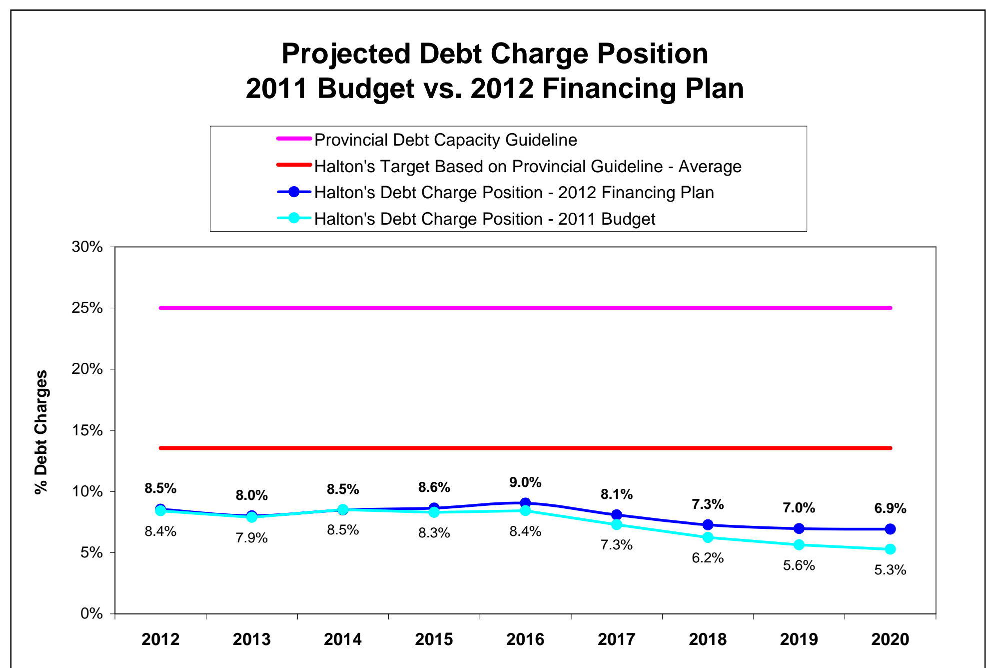
i. The cash flow required for the interim funding of the non-residential share of transportation costs is borrowed from funding in the Tax Capital Reserve, which is ultimately required to support other Regional tax supported programs.

ii. As illustrated, the non-residential transportation program continues to borrow from the Tax Capital

Reserve to 2018 but then begins to repay into the reserve.

iii. The amount owing to the reserve from non-residential development as at December 31, 2011 is $51.2. This amount is included in the 2012 DC update which will ensure that the Region will be repaid by 2031. At 2020, it is expected that non-residential development will owe the Tax Capital Reserve $71.1 million (excluding interest) which will be fully recovered by future DCs.

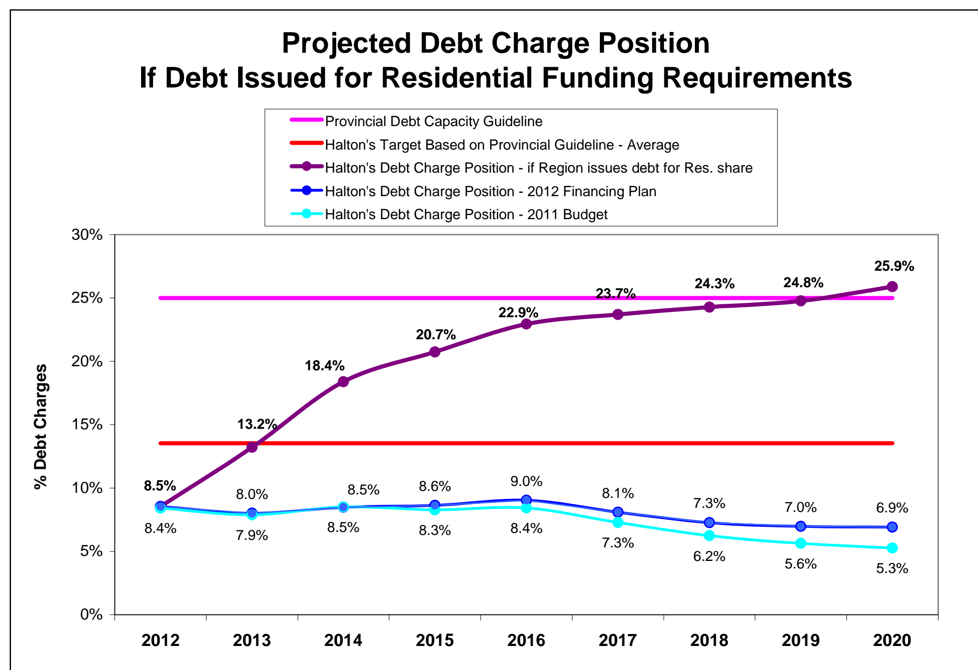
- Regional Debt Financing:
  - The following chart shows the Region's debt capacity position over the 2012-2020 period:



  - ▪ The Region's debt capacity is one of the key measures used by Council, the Province and the credit rating agencies to assess the financial health of the Region.
  - ▪ The debt capacity ratio takes the Region's annual debt charges over its own revenues (i.e. taxes and water and wastewater rates).

- The top line in the chart is the Provincial limit, which is where debt charges are 25% of a municipality's own revenues.
- Halton, like many municipalities, has established its own internal guideline, which has been set at 15% of total revenues (or about 13% of own revenues).
- The 2012 Financing Plan avoids issuing significant additional debt by relying on the Region's internal borrowing capacity. This ensures that Halton can stay within its own debt guideline while maintaining some financial flexibility to address unforeseen issues.

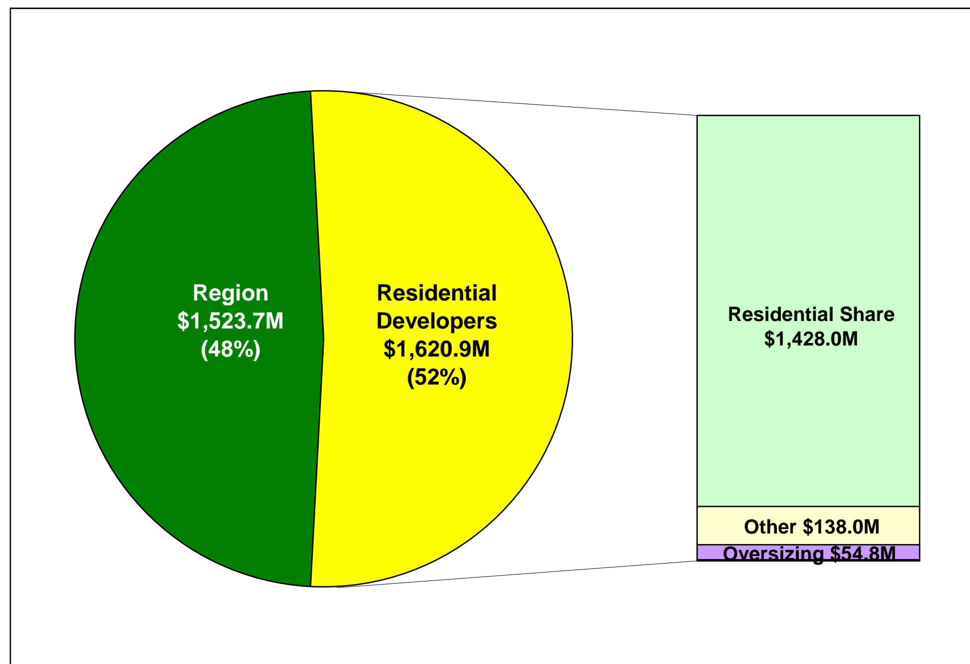
o For illustrative purposes, the chart below provides the projected debt capacity ratios if the Region assumed responsibility for funding the residential share of the infrastructure program costs:



- As shown, the Region would exceed the Provincial debt limits by 2020.
- In addition, from a cash flow perspective, the debt charges to 2020 related to water and wastewater programs would be significantly higher than the annual DCs collected. The debt charges would therefore impact taxes and rates.

- This is a significant risk given that any increase in interest rates would also impact taxes and rates, and that the Region would continue to assume the risk of providing interim funding from its own reserves for the non-residential share of the costs.
- If the Region assumes a responsibility for the residential cost share, this would put an unacceptable risk on the existing Halton tax/rate payers and would completely eliminate Council's flexibility to address future program needs, Provincial funding issues, worsening economic conditions or other unforeseen circumstances.

- Residential Developer Funding
  - The following chart shows the funding required from the residential developer's $1.6 billion funding responsibility:



  - The $1.6 billion consists of:
    - $1.4 billion relates to the residential share of the infrastructure costs,
    - $138.0 million relates to other capital costs consistent with the 2008/2009 Program, which will be flowed back to the

developers when future DCs are collected under a recovery DC by-law, and

- $54.8 million to fund the oversizing portion of project costs, which will be flowed back to the developers when future DCs are collected under a recovery DC by-law. In the 2008/2009 Financing Plan oversizing was financed through the revolving fund. As outlined in Report No. CS-20-12, in the 2012 Financing Plan, the Revolving Fund Reserve does not have the capacity to finance the oversizing.

- 2012 Allocation Program
  - Based on the 2008/2009 Financial Plan, it was anticipated that the next release of development allocation would be 14,000 SDE in 2012 in the Greenfield areas of Milton and Oakville.
  - The ISP and 2012 Financing Plan had been prepared based on a release of 14,000 SDE units in June 2012 and includes projects expected to be completed through the period from 2012-2015.
  - Of the $1.6 billion residential developer's share of the cost, $913.8 million is required for the 2012 Allocation Program, in order to fund required projects within the 2012-2015 period as shown below:

($000's)	2012-2015	2016-2020	Total
Funding Required	$ 913,835	$ 707,045	$ 1,620,880
Funding Available	528,618	483,531	1,012,149
Add. Funding Required	$ (385,217)	$ (223,513)	$ (608,731)
Allocation Units	**14,000**		
Add. Fund. per SDE	**$ 27,516**		

- $913.8 million is entirely related to infrastructure required for growth between 2012 and 2015. The 2012 Allocation Program includes the $913.8 million because this is the amount that needs to be funded up front and the Allocation

units are driving the need and have the greatest capability to provide interim funding.

- Based on the 2011 BPE, 65% of residential growth in Halton is projected to occur in the Greenfield allocation areas.
- Based on the allocation of 14,000 SDE units in 2012 and other development anticipated over the next four years, it is projected that $528.6 million would be available in residential DCs.
- This would leave a shortfall of $385.2 million, which would need to be funded from the residential developers participating in the 2012 Allocation Program as an early payment of DCs.
- Based on 14,000 SDE units, the additional funding or early payment would be $27,516 per SDE.
- This amount is in addition to the DCs but would ultimately be recovered from future developers. In the 2008/2009 Allocation Program, the recovery of the early payment is being achieved through a recovery DC by-law as set out in Report No. CS-21-12 (Re: Final Proposals for the Early Payment of Estimated Future Water, Wastewater and Roads DCs (2012 Recovery DC).
- As shown in the following table, when the DC amount for water, wastewater and transportation is combined with the 2012 early payment and the recovery DC, the total cost per SDE for the 2012 Allocation Program is $64,821 (2012$). This cost does not include the Region’s general services DCs, Local Municipal DCs or education DCs:

(Per SDE)	2012 Allocation
DCs (Greenfield)	$ 33,627
Early PMT of Future DCs	27,516
Recovery Res. DC (08/09 Alloc)	3,679
Total	**$ 64,821**

- Eight residential appeals to the Ontario Municipal Board (OMB) were received to the DC By-law. These appeals raised significant issues with respect to the Region's DC By-law and brought the Region's authority to undertake the 2012 Allocation Program and the Development Financing Plan into question. In addition, landowners initiated identical separate court actions challenging the legality of the Region's Allocation Program. Regional Council's instruction to staff was that the 2012 Allocation Program would not proceed until all legal proceedings before the courts and the OMB in respect of the Region's DC By-law, the Region's Infrastructure Staging Plan, the Region's Development Financing Plan and the Region's 2012 Allocation Program were withdrawn or abandoned and the development industry was advised of this requirement accordingly.
- The Halton greenfield residential development community withdrew its appeals to the Region's DC Bylaw except one. This residential appeal did not create any significant financial risk to the Region and did not impact the principle of the 2012 Allocation Program that residential development is paid for through development.
- Following the May 29th Regional Council meeting, requests for letters of commitment were sent to owners of land identified for residential development within the 2012 Allocation Program area. Unconditional commitment to the

2012 Allocation Program was received from 19 landowners with a total uptake of 13,300 SDE (4,855 in Oakville and 8,445 in Milton). In addition, 700 SDE in the 2012 Allocation Program are reserved by the Region for High Density Apartment Developers.

- Milton and Oakville endorsed the provision of servicing allocation for the uptake. Local municipal endorsement for the 2012 Allocation Program in Milton and Oakville supports the Regional Official Plan, the Best Planning Estimates, local phasing policies and will further support the general principles of the Growth Plan. Given that the Region had executed agreements from the Development Community representing a full take-up of the 2012 Allocation Program, and given the endorsement of allocation requests by the Town of Milton and the Town of Oakville, it was recommended that staff be authorized to proceed with the Allocation Program.
- At the request of the developers, the 2012 Allocation Program will be funded and implemented through two agreements, specifically a Front Ending Agreement and Allocation Agreements.

The Allocation Program was approved by Regional Council on November 13, 2013 and is subject to a 40 day appeal period ending December 23, 2013

APPENDIX C

FN-30-13 Council Resolution

THE REGIONAL MUNICIPALITY OF HALTON

THE FOLLOWING RESOLUTION WAS APPROVED BY REGIONAL COUNCIL AT ITS MEETING HELD ON DECEMBER 11, 2013.

FN-30-13 – Provincial Land Use Planning, Appeal and Development Charges Review – Submission Respecting Recommended Amendments to the *Development Charges Act,* 1997

1. THAT staff be directed to provide a submission to the Minister of Municipal Affairs and Housing which requests that amendments be made to the *Development Charges Act, 1997* (DCA, 1997) consistent with the principle that "growth pays for growth" including endorsing the following:

   - Include all services funded by a municipality
   - Remove the 10% discount for all services
   - Replace the 10 year average historic service level limits with a service level that is forward looking
   - Remove mandatory exemptions
   - Continue to provide maximum flexibility to use alternate funding tools to finance significant growth related infrastructure to meet the Provincial growth plan

** 2. THAT Report FN-30-13 be forwarded to the Local Municipalities, all Halton MP's and MPP's, the Association of Municipalities of Ontario (AMO), the Federation of Canadian Municipalities (FCM), and the Greater Toronto Area Regional Chairs for their information, and

** 3. THAT the submission to the Minister of Municipal Affairs and Housing include additional comments as discussed during the Regional Council Meeting of Wednesday, December 11, 2013.

** amended/added – December 11, 2013