

Report To:	Chair and Members of the Administration and Finance Committee
From:	J. E. MacCaskill, Commissioner, Corporate Services and Regional Treasurer Mitch Zamojc, P. Eng., Commissioner, Public Works Mark G. Meneray, Commissioner, Legislative and Planning Services and Corporate Counsel
Date:	June 25, 2009
Report No. - Re:	CS-49-09/PW-20-09/LPS80-09 - Financial and Implementation Plan for the 2008/2009 Allocation Program

### RECOMMENDATION

1. THAT the 2008 – 2021 Infrastructure Staging Plan as approved in Report No. CS-73-08/PWE31-08 be revised as set out in Report No. CS-49-09/PW-20-09/LPS80-09 re: Financial and Implementation Plan for the 2008/2009 Allocation Program.
2. THAT the Financial and Implementation Plan for the 2008/2009 Allocation Program as set out in Report No. CS-49-09/PW-20-09/LPS80-09 be approved.
3. THAT of the 2008/2009 conditional allocation of 9,505 single detached equivalent (SDE) units set out in Report No. CS-73-08/PWE31-08, 1,197 SDE units be allocated, with 500 SDE to the Town of Milton and 697 SDE to the Town of Oakville.
4. THAT the Town of Milton be requested to allocate 500 SDE to developers identified Report No. CS-49-09/PW-20-09/LPS80-09 that have committed to the Region's financial conditions.
5. THAT the 1,500 SDE units allocated to Mattamy in Report No. PPW165-07/CS-100-07 be subject to all of the terms and conditions as set out in Report No. CS-49-09/PW-20-09/LPS80-09 effective the date of Council's approval of this report.
6. THAT any further allocation of units expired from previous allocation programs be subject to the financial requirements of the Financial and Implementation Plan for the 2008/2009 Allocation Program.
7. THAT the North Feed to Milton be financed as set out in Report No. CS-49-09/PW-20-09/LPS80-09.

8. THAT the Commissioner of Legislative & Planning Services be authorized to prepare Financial/Allocation Agreements to implement the 2008/2009 Allocation Program as set out in Report No. CS-49-09/PW-20-09/LPS80-09.
9. THAT the Regional Chair and Regional Clerk be authorized to execute the Financial/Allocation Agreements upon passage of a By-law for that purpose.
10. THAT the Director of Planning Services, as part of proposed Regional Official Plan Amendment No. 38, be directed to include draft policies for the consideration of Council, that require:
  - a) Applicants for Regional Official Plan Amendments to submit information confirming that a Regional servicing allocation has been granted in areas subject to the Region's allocation programs, as a requirement for a complete application by the Region, pursuant to subsection 22(5) of the *Planning Act*, as amended;
  - b) Local municipalities to adopt policies in their Official Plans that require applicants for Local Official Plan Amendments, Zoning By-law Amendments, plans of subdivision and consent approvals, to submit information confirming a Regional servicing allocation has been granted in areas subject to the Region's allocation programs, as a requirement for a complete application by the local municipalities, pursuant to subsections 34(10.2), 51(18) and 53(3) of the *Planning Act*, as amended; and,
  - c) Currently filed plan of subdivision applications which have been accepted and which are pending draft approval, to have confirmation of a Regional servicing allocation in areas subject to the Region's allocation programs, prior to the granting of draft plan of subdivision approval by the approval authority, as outlined in Report No. CS-49-09/PW-20-09/LPS80.
11. THAT Report No. CS-49-09/PW-20-09/LPS80 be circulated for information to the Town of Milton, Town of Oakville, Town of Halton Hills and the City of Burlington.

## **REPORT**

The purpose of this report is to recommend revisions to the 2008-2021 Infrastructure Staging Plan approved by Regional Council in November in report CS-73-08/PWE31-08 and to recommend approval of the Financial and Implementation Plan for the 2008/2009 Allocation Program.

## **BACKGROUND**

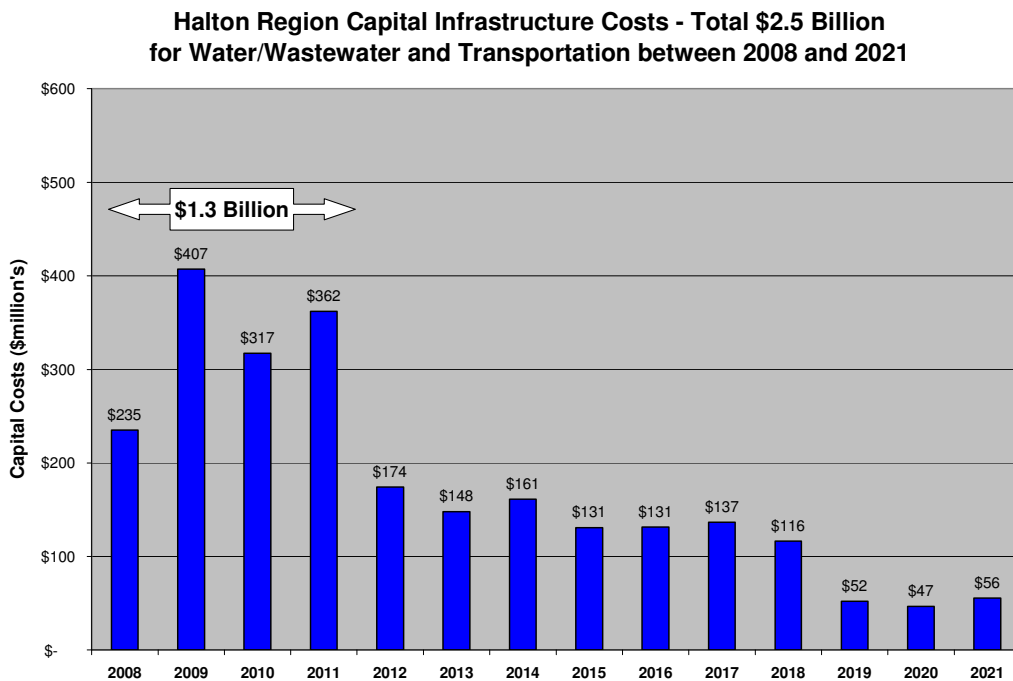
The Region's Official Plan requires that an Infrastructure Staging Plan, including a financial and implementation plan be prepared to Council's satisfaction prior to development proceeding. The Region has a long history of requiring financing plans to support development. The previous Development Financial and Implementation Plan was approved in CS-83-05/PPW138-05. There were 7386 units allocated in this program. Currently there are 3210 units from the 2005 and

previous allocation programs held by developers/landowners that do not yet have subdivision agreements.

The following outlines the critical steps followed by the Region to complete an acceptable financing plan:

- Best Planning Estimates (approved by Council in May 2007)
- W/WW Master Plan (endorsed by Council in February 2008)
- Transportation Master Plan Update (endorsed by Council March 2008)
- W/WW Annual Monitoring Report (PPW51-08 to Council in May 2008)
- DC By-law (approved by Council in May 2008)
- Allocation Policy (approved by Council Nov.19, 2008)
- Infrastructure Staging Plan (approved by Council Nov. 19, 2008)
- Financial and Implementation Plan
- Developer Agreements
- Implementation

The Water/Wastewater and Transportation Master Plans and the Development Charge By-law identified the requirement for \$2.5 billion of infrastructure from 2008 – 2021. This is a significant increase in the size of the Region’s infrastructure program. In addition, \$1.3 billion of the \$2.5 billion of infrastructure is required in the first 4 years of the program. The following chart illustrates the significant costs in the early years of the program. It was identified that the Financial and Implementation Plan would need to address this challenge.



In November 2008, Regional Council approved the 2008-2021 Infrastructure Staging Plan (ISP). The ISP identifies the critical path of water and wastewater projects required for the treatment, distribution and conveyance of available capacity to the Allocation Areas in Milton and Oakville. The ISP builds on the Best Planning Estimates, Water/Wastewater and Transportation Master Plans, Water/Wastewater Monitoring Report and the Development Charge By-law as follows:

- Refines timing of projects to reflect growth estimates by year, rather than the five year growth intervals used in previous studies
- Refines timing of projects to reflect realistic timing of future uptake of units
- Identifies opportunities to optimize the use of existing infrastructure for interim solutions
- Identifies opportunities to fast-track implementation of projects
- Updates the coordination of water/wastewater and transportation projects.

The ISP identified \$753.4 million of water and wastewater infrastructure required in the allocation areas in Milton and Oakville to accommodate planned occupancies prior to 2021. The infrastructure was grouped into 3 allocation programs that reflected the timing and capacity of the infrastructure delivery. The following table summarizes the water and wastewater ISP approved by Regional Council in November.

<b>2008 Plan (CS-073-08/PWE31-08) - Allocation Program</b>				
Allocation Programs	2008	2011	2013	Total
Estimated SDEs	11,005	11,702	7,645	30,352
Res-led W/WW Cap. Cost (\$million's)	\$ 286.9	\$ 272.5	\$ 194.0	\$ 753.4

An ISP was also completed for the transportation program. The requirement to accelerate the timing of the following projects was identified to more effectively meet the needs for transportation infrastructure within the allocation area:

- Tremaine Road/Regional Road 22 (Main Street to Highway 401 and Derry Road to Britannia Road).
- Britannia Road/Regional Road 6 (Tremaine Road to Ninth Line).
- Acceleration of sections of Dundas Street/Regional Road 5 (Bronte Road to Proudfoot Trail, CN Rail crossing and Bronte Creek crossing).
- Acceleration of Neyagawa Boulevard/Regional Road 4 (Dundas Street to Highway 407).
- Acceleration of Regional Road 25 (Highway 407 to Britannia Road).

As a result \$201.2 million of projects were advanced into the first 5 years of the transportation program. The acceleration of these projects was required to more effectively meet the demands for transportation infrastructure within the allocation area. This increased the cost of the 2008-2021 program by \$33.2 million to \$1.3 billion and increased the cost of the first 5 years of the program from \$553.0 million to \$754.2 million.

**2008 Plan (CS-073-08/PWE31-08) - Road Capital Expenditures (\$Million's)**

	<u>Total</u> <u>2009-2013</u>	<u>Total</u> <u>2014-2021</u>	<u>Gross</u>
Base Program Costs (2008 DC Study)	\$ 553.0	\$ 694.4	\$ 1,247.4
2008 Plan - Accelerated	201.2	(168.0)	33.2
<b>Total</b>	<b>\$ 754.2</b>	<b>\$ 526.4</b>	<b>\$ 1,280.6</b>

Through Report CS-73-08/PWE31-08 the Town of Oakville and the Town of Milton were requested to provide recommendations for their preferences for the 2008/2009 conditional allocation of 9505 single detached equivalent (SDE) units (11005 units less the 1500 units pre-released to Mattamy Homes in Milton) to specific developments.

**REVISED 2008 -2021 INFRASTRUCTURE STAGING PLAN**

Based on expressions of interest received from developers/landowners, the Town of Milton and the Town of Oakville approved allocations for 6651 SDEs (4871 SDEs in Milton, 1780 SDEs in Oakville) in April. Subsequently an additional 800 SDE were confirmed in the Town of Oakville for a total of 7451 SDE excluding the 1500 units pre-released to Mattamy Homes and a total of 8951 units including the pre-release.

Based on the 8,951 SDEs allocated for the 2008/2009 Allocation Program, the Infrastructure Staging Plan was reviewed and revised by adjusting the timing of projects where possible to reflect the lower uptake of allocation. This is consistent with the resolution from Council in Report CS-73-08/PWE31-08 as follows:

"THAT should the interest in the units not be sufficient to support the program, that staff develop a revised plan to reflect the slower take-up of units consistent with the principles of the Development Financing Plan Framework."

The ultimate sizing of infrastructure and the requirements for treatment, pumping, storage and security of supply have not changed. As a result, while the total water and wastewater program cost relating to the residential allocation programs to 2021 remained unchanged at \$753.4 million, \$55.0 million of the cost previously required for the 2008/2009 allocation program has now been moved into the 2011 next allocation program.

The key phasing adjustments in the revised Infrastructure Staging Plan as compared to the November 2008 version are:

- Timing of construction of the Kitchen Zone 3 Pumping Station second phase expansion.
- Timing of construction of some distribution and collection mains in Milton and Oakville.
- Timing of engineering contract administration cost for the Burloak WM, RR#25 WWM and Mid Halton WWTP projects.

The following table summarizes the revised Allocation Program

<b>Revised 2009 Plan - Allocation Program</b>				
Allocation Programs	2008	2011	2013	Total
Estimated SDEs	8,951	13,756	7,645	30,352
Res-led W/WW Cap. Cost (\$million's)	\$ 231.5	\$ 327.9	\$ 194.0	\$ 753.4

The transportation ISP was also reviewed. As a result of the review the following adjustments were made to the timing of transportation projects:

- Britannia Road Corridor - to better reflect implementation of timing and constructability, it has been phased from 2013 to 2015 (Tremaine Road to Ninth Line).
- Trafalgar Road Corridor (Steeles Avenue to Highway 7) - Due to a number of planning initiatives that are ongoing (i.e. Sustainable Halton, GTA West), the project timing has been adjusted from 2010-2020 to 2013-2020. A Corridor Study will be initiated in 2009 to determine any current or short term operational deficiencies.

Based on these adjustments, the Transportation capital cost has been adjusted as shown in the following table:

<b>Revised Road Capital Expenditures (\$Million's)</b>			
	<b>Total 2009-2013</b>	<b>Total 2014-2021</b>	<b>Gross</b>
Base Program Costs (2008 DC Study)	\$ 553.0	\$ 694.4	\$ 1,247.4
2008 Plan - Accelerated	201.2	(168.0)	33.2
2008 Plan (CS-073-08/PWE31-08)	\$ 754.2	\$ 526.4	\$ 1,280.6
<b>2009 Adjustments:</b>			
Trafalgar (2013/14 to 2016/17)	\$ (64.5)	\$ 64.5	\$ -
Britannia (2013 to 2014/15)	(49.8)	49.8	-
Sub-total	\$ (114.4)	\$ 114.4	\$ -
<b>Revised Program Costs</b>	<b>\$ 639.9</b>	<b>\$ 640.7</b>	<b>\$ 1,280.6</b>

While the total program cost remained unchanged at \$1.3 billion over the 2021 planning horizon, \$114.4 million of the cost previously required during the first five years of the planning period (2009-2013) has now been moved out into the later years in the forecast (2014-2021).

#### Letters of Commitment

The developers/landowners that were approved by the Town of Oakville and the Town of Milton were requested to submit a letter of commitment confirming their interest in participating in the 2008/2009 Allocation Program including the identified financial commitments. The Region received signed commitment letters for 1620 SDEs (697 SDE in Oakville and 923 SDE in Milton).

The total committed units including the 1500 SDE pre-released to Mattamy Homes is therefore 3120 SDE (of 8951 SDEs eligible to participate in the allocation program). The following table identifies the developers/landowners that have submitted commitment letters for the 2008/2009 Allocation Program.

<b>Oakville</b>	<b>SDEs</b>
South of Dundas:	
Genstar	22
North of Dundas:	
M.A.M. Group (Davis Minardi and Denbridge)	505
M.A.M. Group (Trinison/Arrasa)	170
<b>Total</b>	<b>697</b>
<b>Milton</b>	
Fieldgate Developments	315
Main Street (Milton Corp.)	99
Intracorp	56
Manaman Developments	200
Miltonbrook /Mainstreet Homes	73
Elkford Investments Inc	148
Dave DeSylva/Green Property	32
Sub-total	923
Mattamy 2007 Pre-release	1,500
<b>Total</b>	<b>2,423</b>

Letters received from the developers/landowners that did not sign a commitment letter raised a variety of issues summarized in the table in Appendix A of this report. Copies of the letters received from the developer/landowners and the responses from Regional staff are included in Appendix A (under separate cover).

Staff met with the developers/landowners on May 21st, June 8<sup>th</sup> and June 17<sup>th</sup> to present the program and to respond to questions. While many of the developers/landowners have concerns with the proposed program and their ability to participate given the current economic climate, commitment letters were received for 1620 SDEs who were willing to proceed.

#### Phasing of the 2008-2021 Infrastructure Staging Plan

Staff reviewed the ISP to identify opportunities to phase the infrastructure to determine if it was feasible and beneficial to proceed with an initial phase of the 2008/2009 Allocation Program based on the developer commitments received. This review concluded that it was possible to proceed with an initial phase (Phase 1) of the 2008/2009 program that would include an allocation of 500 SDE of the 923 SDEs committed to Milton and 697 SDE to Oakville for a total of 1197 SDE (2697 SDE including the 1500 SDE pre-released to Mattamy Homes). The remaining 6,254 units will proceed when the Region receives sufficient commitments from developers/landowners to the financial requirements. The revised program is summarized in the table below:

<b>2008/2009 Allocation Program - 8,951 SDEs (\$231.5M)</b>	
<u>Phase 1</u>	<u>Phase 2</u>
2,697 SDEs	6,254 SDEs
\$52.0M	\$179.5M
Z5 & Z3 PS (C) Rebecca WM (C) Wshbrn PS/Appleby WM (C) Dunds WM (Appleby) (D) Zone 5 Reservoir (C) South Fd (Z4PS-Traf/Nigw) (C) Burloak WM (EA/D) RR25 WWM (EA/D) Distribution	South Feed (D/C) North Feed (C) W/WW PS @ N. Prk (D/C) Dunds WM (Appleby) (C) Burloak WP (EA) Mid-Hlt WWTP (EA/D) Distribution

It should be noted that the North Feed to Milton has been included in Phase 2 of the program as there is insufficient funding available in Phase 1 to completely finance this project. Public Works has identified that this project is critical to be completed by 2011 regardless of whether 2008/2009 Allocation Program proceeds. The financing of the North Feed to Milton will therefore be addressed later in the report.

The reduced 2008/2009 Allocation Program reflects the current economic conditions with respect to the slowdown in the housing market and the challenges of obtaining financing in the current financial environment. It is anticipated that the next allocation program (6,254 SDEs) may be required as early as 2010 if economic conditions begin to improve as predicted.

## **FINANCING AND IMPLEMENTATION PLAN FOR THE 2008/2009 ALLOCATION PROGRAM**

Financing the \$2.4 billion infrastructure program presents a significant challenge for the Region due to both the timing and magnitude of the required expenditures. The Development Financing Plan Framework has been developed, in accordance with the principles established by Council, to address this challenge while minimizing risks to the Region. Report CS-73-08/PWE31-08 provided an analysis of this risk. The following elements of the program are critical to managing risk to the Region:

- residential development financing must be received before capital projects are tendered;
- requirement for Council approved financing plans prior to development occurring and capital projects proceeding;
- use of internal borrowing to limit the Region's commitments and exposures to external markets;
- investment in infrastructure that supports economic development in Halton;
- the provision for the repayment of the Region's investments including carrying costs.



Development Financing Plan Framework 2008-2021

The key principles of the development financing plan framework approved in Report CS-73-08/PWE31-08 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; and
- Halton’s strong financial position and financial planning principles will not be compromised.

The development financing plan framework builds on the principles used in previous Regional development financing plans approved by Council.

The following table highlights the development financial planning principles that will be used in the development of the financing plans for residential-led (allocation areas), employment, intensification/infill related water and wastewater infrastructure and for roads.

	Development Water & Wastewater			Roads
	Green Field		Intensification	
	Employment Lands	Residential-led		
Cost Shares	\$85.5M	\$753.4M	\$276.2M	\$1,280.7M
Residential	Region Up-Front Financing	Allocation Residential Up-front Financing	Residential DC	Res DC & Acceleration Up-front Fin.
Non-res - Recoverable		Region Interim Financing		
Non-res - Non-recoverable	Allocation Residential - Non-recoverable Contribution			
Oversizing	Region Interim Financing			
Non-growth	Regional Financing			

The following table provides a summary of the financing of the \$2.4 billion in infrastructure cost based on the development financing principles. Residential development is responsible for \$1.4 billion of the \$2.4 billion total costs. The Region is responsible for investing \$717.4 million of interim financing for non-residential development and funding \$247.3 million of non-growth related costs. In addition, the Region is responsible for financing the Region’s \$600 million 10-year non-development water and wastewater capital program. The Region’s financing is a

combination of debt, reserves (particularly the Infrastructure Investment Revolving Fund and the capital reserves), and provisions in the operating budget.

The 2008 Budget identified that debt financing the revised program would result in significant increases in Regional debt, above Regional debt guidelines, as a result of the magnitude of the revised capital program. 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, the 2009 Budget Direction (CS-52-08) and 2009 Budget and Forecast set out the key financing measures to ensure the Region had the capacity to finance the required investments in non-residential development and maintaining existing infrastructure.

<b>Summary of Development Water/Wastewater &amp; Roads Financing *</b>							
<b>for Period 2008-2021 (In \$2008, \$million's)</b>							
	<b>Development Water &amp; Wastewater</b>				<b>Roads</b>	<b>Total</b>	
	<b>Res-Led</b>	<b>Employment</b>	<b>Intensification</b>	<b>Sub-total</b>			
<b>Residential Developer Financing:</b>							
Residential DCs	\$ 459.0	\$ -	\$ 88.2	\$ 547.2	\$ 667.4	\$ 1,214.6	
Non-recoverable Contrib.	35.4	4.6	10.3	50.2	88.3	138.5	
Sub-total	\$ 494.4	\$ 4.6	\$ 98.5	\$ 597.5	\$ 755.7	\$ 1,353.2	
<b>Regional Interim Financing:</b>							
Revolving Funds:							
- Non-res. Recovrbl	\$ 156.8	\$ -	\$ 45.5	\$ 202.3	\$ -	\$ 202.3	
- Oversizing	96.7	-	7.5	104.2	-	104.2	
Debt - Employment Land	-	80.9	-	80.9	-	80.9	
Capital Reserve	-	-	-	-	330.0	330.0	
Sub-total	\$ 253.5	\$ 80.9	\$ 53.0	\$ 387.4	\$ 330.0	\$ 717.4	
<b>Regional Financing:</b>							
Debt - Non Growth	\$ 5.5	\$ -	\$ 46.8	\$ 52.3	\$ -	\$ 52.3	
Capital Reserve	-	-	-	-	195.0	195.0	
Sub-total	\$ 5.5	\$ -	\$ 46.8	\$ 52.3	\$ 195.0	\$ 247.3	
<b>Subsidy</b>	\$ -	\$ -	\$ 78.0	\$ 78.0	\$ -	\$ 78.0	
<b>Total</b>	<b>\$ 753.4</b>	<b>\$ 85.5</b>	<b>\$ 276.2</b>	<b>\$ 1,115.1</b>	<b>\$ 1,280.7</b>	<b>\$ 2,395.8</b>	

\* Represents the financing summary included in CS-73-08/PWE31-08, as of November 2008.

The 2008/2009 Financial and Implementation Plan presented in this report addresses the \$753.4 million of residential-led (allocation areas) water and wastewater infrastructure and the roads. Financial plans for the employment areas and intensification areas will be the subject of future reports.

### The 2008/2009 Financial and Implementation

#### Water and Wastewater

The following table provides a breakdown of the \$753.4 million residential-led water and wastewater infrastructure costs over the three allocation programs based on the revised infrastructure staging plan as described above.

(Cost in \$2009, \$million's)	Allocation Programs			
	2008/2009	2011	2013	Gross
Water & Wastewater Infrastructure	Rebcc. St. WM Kitchen Z5 PS Kitchen Z3 PS Appleby/Dundas WM 2nd Feed - North 2nd Feed - South Zone 5 Rsvr W/WW PS @ N. Prk Burloak WP (EA) Burloak WM (EA/D) RR#25 WWM (EA/D) Mid-Hlt WWTP (EA/D) Distribution	Appleby Z3 PS Z4 Rsvr & WM Burloak WM (C) RR#25 WWM (C) Mid-Hlt WWTP (C) Milton Ph 3 W Milton Ph 3 E (D) Burloak WP (D) Mid-Hlt Otfl (EA/D) Distribution	Burloak WP (C) Mid-Hlt Otfl (C) Milt Ph3 E (C) Distribution	
Allocation Program Cost	\$ 231.5	\$ 327.9	\$ 194.0	\$ 753.4
Regional Financing	\$ 67.0	\$ 115.2	\$ 76.8	\$ 259.0
<b>Residential Financing:</b>				
Residential Share	\$ 153.3	\$ 197.1	\$ 108.7	\$ 459.0
Non-res Non-recovr.	14.8	22.8	12.7	50.2
<b>Total</b>	<b>\$ 168.1</b>	<b>\$ 219.8</b>	<b>\$ 121.3</b>	<b>\$ 509.2</b>
SDEs Allocated <sup>1</sup>	8,951	13,756	7,645	30,352
<b>\$Financing per SDE:</b>				
Res. DC <sup>2</sup>	\$ 16,065	\$ 16,065	\$ 16,065	\$ 16,065
Res. Cash Flow	1,061	(1,740)	(1,853)	(942)
Non-Recvrbl Contrbt'n	1,656	1,656	1,656	1,656
<b>Total</b>	<b>\$ 18,781</b>	<b>\$ 15,980</b>	<b>\$ 15,868</b>	<b>\$ 16,778</b>

1. Includes the Mattamy allocation of 1,500 SDEs

2. The HUSP Water and Wastewater rate as of April 1, 2009.

Note: EA = Environmental Assessment / D = Design / C = Construction

Of the \$753.4 million, \$231.5 million is required in water and wastewater infrastructure related to the 2008/2009 allocation of 8,951 SDE units. Of the \$231.5 million, the Region is responsible for interim financing of \$67.0 million related to non-residential development and oversizing. The residential developers are responsible for financing \$168.1 million consisting of a residential share of \$153.3 million and non-residential non-recoverable share of \$14.8 million.

The residential share of \$153.3 is financed from the up-front payment of residential development charges. As a result of the significant infrastructure requirements in the early years of the program, however, for the 2008/2009 Allocation Program, the up-front payment of the residential development charges is not sufficient (\$143.8 million). To finance the \$9.5 difference, a cashflow payment is therefore required from the residential developers. The cashflow payment for the 2008/2009 Allocation Programs is \$1,061 per SDE. This amount will be flowed-back to the developers from future allocations programs.

Non-recoverable non-residential costs include mandatory development charge exemptions as required in the *Development Charges Act, 1997* and discretionary development charge exemptions and discounts incorporated in the Region's Development Charges By-law. In the 2005 Development Financing Plan the Region implemented a charge for greenfield residential development (allocation areas) under Section 110 of the *Municipal Act, 2001*. This charge recovered some of the water and wastewater capital costs that were unrecoverable under the *Development Charges Act, 1997*. This charge was implemented because the pace of greenfield residential growth in the Region was driving the infrastructure requirements. Regional financing of the non-recoverable, non-residential costs was increasingly impacting the Region's existing tax

and rate payers and the Region's capacity to invest in the employment lands. Recent changes to the *Municipal Act, 2001, as a result of Bill 130 amendments (effective January 1, 2007)*, allow the Region to continue to obtain developer contributions to recover all (water, wastewater and transportation) of these costs from residential developers. This reduces the impact of the non-recoverable, non-residential costs on tax and rate payers and is consistent with the objective to minimize the impact of growth on exiting taxpayers. If the Region financed the total \$50.2 million of non-recoverable non-residential costs for water and wastewater and the \$88 million for transportation in the 2008-2021 program, the impact on the taxpayer would be approximately 5% increase (taxes and rates).

Accordingly, the residential water and wastewater cost per SDE required for the 2008/2009 Allocation Program is \$18,781, consisting of \$16,065 of DC, \$1,061 of cash flow payment, which will flow-back to developers from future allocation programs, and \$1,656 of non-residential non-recoverable contribution.

As indicated previously, the 2008/2009 Allocation Program will proceed in 2 phases based on the commitments received from the developers.

(Cost in \$2009, \$million's)	2008/2009 Allocation Program		
	Phase 1	Phase 2	Gross
Water & Wastewater Infrastructure	Z5 & Z3 PS (C) Rebecca WM (C) Wshbrn PS/Appleby WM (C) Dunds WM (Appleby) (D) Zone 5 Reservoir (C) South Fd (Z4PS-Traf/Nygw) (C) Burloak WM (EA/D) RR25 WWM (EA/D) Distribution	South Feed (D/C) North Feed (C) W/WW PS @ N. Prk (D/C) Dunds WM (Appleby) (C) Burloak WP (EA) Mid-Hlt WWTP (EA/D) Distribution	
Allocation Program Cost	\$ 52.0	\$ 179.5	\$ 231.5
Regional Financing	\$ 14.8	\$ 52.2	\$ 67.0
<b>Residential Financing:</b>			
Residential Share	\$ 34.7	\$ 118.5	\$ 153.2
Non-res Non-recovr.	4.5	10.4	14.8
Total	\$ 39.2	\$ 128.9	\$ 168.1
SDEs Allocated*	2,697	6,254	8,951

\* includes the Mattamy allocation of 1,500 SDEs

### North Feed to Milton

As indicated previously, the North Feed to Milton is included in phase 2 of the 2008/2009 Allocation Program as only a portion of the funding required is available in phase 1. As identified in PPW165-07/CS-100-07, "South Halton Water Supply and Wastewater Treatment Capacity Annual Monitoring Report (2006) - Response to Delegation at July 4, 2007 Planning and Public Works Committee" it is important that the North Feed to Milton proceed on schedule for implementation by 2011. This project is critical to the servicing of Milton from a perspective of the security of water supply of Milton. This project is also required to be delivered on schedule to provide the servicing required for strategic employment lands in Milton and the Halton Hills 401 Corridor as identified in Report CS-47-09.

To ensure that this project is delivered by 2011, it is recommended that the Region temporarily finance a portion of the residential share (\$17.8 million) of this project from the Infrastructure Investment Revolving Fund. This financing including interest would be repaid by the up-front developer payments for phase 2 of the 2008/2009 Allocation Program. Given the delay of the projects financed by phase 2 of the 2008/2009 Allocation Program and therefore the delay in the requirement for the Region's interim financing of the non-residential share of these projects, this temporary financing can be provided with no impact to the Region's financing plan.

### Transportation

The revised transportation program for the years 2009 – 2013 totals \$640 million. Included in this program is \$50.8 million which is the residential share of the road costs accelerated in the infrastructure staging plan as discussed previously.

<b>(Cost in \$2009, \$million's)</b>	<b>2009-2013</b>
Revised Program Costs	\$ 640.0
Regional Financing	\$ 257.6
Res. DC Financing	\$ 281.9
<b>Residential Financing:</b>	
Accelerated Res. Share	\$ 50.8
Non-res Non-recovr.	49.7
<b>Total</b>	<b>\$ 100.5</b>
SDEs Allocated <sup>1</sup>	22,707
<b>\$Financing per SDE:</b>	
Res. DC <sup>2</sup>	\$ 13,010
Res. Cash Flow	\$ 2,238
Non-Recvrbl Contrbt'n	\$ 2,934

1. Includes 2008/2009 Allocation (8,951 SDEs) and 2011 Allocation ( 13,756 SDEs)

2. Development Charge rates as of April 1, 2009.

Accordingly, the residential cost per SDE required for the 2008/2009 Allocation Program is \$18,182, consisting of \$13,010 of DC, \$2,238of cash flow payment, which will flow-back to developers from future allocation programs, and \$2,934 of non-residential non-recoverable contribution.

### **FINANCIAL REQUIREMENTS FOR THE 2008/2009 ALLOCATION PROGRAM**

Based on revised information discussed above, the financing required from the participating developers for the 2008/2009/2010 allocation programs has been adjusted as follows:

**Revised per SDE Payment for 2008/2009 Allocation Program**

<b>Charges</b>	<b>CS-073-08/ PWE31-08</b>	<b>Revised 2009</b>	<b>Increase/ (Decrease)</b>
W/WW DC*	\$ 14,725	\$ 16,065	\$ 1,340
W/WW Cash Flow	2,346	1,061	(1,285)
W/WW N-res N-recovrbl	1,656	1,656	-
Roads DC*	11,924	13,010	1,085
Roads Cash Flow	4,982	2,238	(2,743)
Road N-res N-recovrbl	2,934	2,934	-
<b>Total</b>	<b>\$ 38,566</b>	<b>\$ 36,963</b>	<b>\$ (1,603)</b>

\* Development Charge rates as of April 1, 2009.

The participating developers in the 2008/2009 Allocation Program and the next 2009/2010 program will be required to pay \$36,963 per SDEs, which has been reduced by \$1,603 from the payment previously estimated in Report No. CS-73-08/PWE31-08. The revised payment will provide the residential funding required to facilitate the planned allocation of the 8,951 SDEs. It should be noted however that the final financial requirement for phase 2 of the 2008/2009 Allocation Program will need to be reviewed and confirmed prior to proceeding.

Development Financing Plan without Cashflow Payment Requirements

At the Regional Council meeting April 1, 2009, Council resolved the following:

“..that staff be directed to bring forward by July 2009 an infrastructure plan and financial plan that does not require a cash flow charge beyond the specified development charge.”

Staff have reviewed the infrastructure staging plan in detail and concluded that adjustments to the plan could not be recommended. Elimination of the cash flow charge would therefore require the Region to debt finance the \$ 29.5 million cashflow requirements in the 2008/2009 Allocation Program. While the cashflow requirements would be repaid through future allocation programs, the timing of the repayment is uncertain. The impact to the taxpayer of funding the additional debt charges would be approximately 1.1% (taxes and rates).

Given that 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 is not recommended.

**AGREEMENT PRINCIPLES – TERMS AND CONDITIONS**

Based on the financing principles, the participating landowners are required to enter into an agreement with the Region that will provide for early payment of DCs under section 27 of the *Development Charges Act, 1997* and payment of further contributions under sections 2 and 9,

subsections 8(1) and 11(2) and paragraphs 11(3)3 and 4 of the *Municipal Act, 2001*. Under the foregoing provisions of the *Municipal Act, 2001* the Region, in connection with water, wastewater and roads services has broad powers to address the issue of the cost of servicing growth as part of the financial management of the Region with a view to fostering the economic well-being of the Region.

The financing principles and the requirements of the agreements were outlined in Report No. CS-73-08/PPE31-08 (2008-2021 Infrastructure Staging Plan and Development Financing Plan Framework) and at presentations to landowners on December 10, 2008 and May 21, 2009. Based on further discussions with the development community those principles have been modified to accommodate some of the requests and comments of the development community.

There will be a standard financial agreement for all participating landowners. The agreement will be similar to the agreement used in the 2005 Allocation Program, and it will incorporate provisions as required by this report including the following:

#### General Provisions

- Development will not proceed until the agreements are executed and securities are received to the satisfaction of the Commissioner of Corporate Services and Regional Treasurer.
- SDE allocations cannot be used (i.e. draft plan approval will not be granted) until the Region's Commissioner of Public Works is satisfied that certain projects will be operational within the required timeframe.
- Allocations are not transferable and they are specific to the lands set out in the financial agreement.
- No capacity allocation will be provided unless the developer has satisfied all of the requirements, financial or otherwise, of the Region and the local municipality.
- Owners agree to dedicate lands for the construction of water, wastewater and road infrastructure.
- An administration fee per agreement is payable at the time the financial agreement is executed.

#### Water and Wastewater

- The residential developer's cost share as set out in the Financial and Implementation Plan is equal to the water and wastewater DC rate, the non-recoverable non-residential share and the front-end amount (cash flow share) of the required water and wastewater infrastructure costs.
- The Region will require security (Letter of Credit (LC)) equal to 33% of the cost share upon execution of the agreement (Fall 2009) and the remaining amounts owing will be required to be secured (by LC) at the earlier of subdivision agreement or building permit, or January 2010 (50%) and April 2010 (17%).
- L/C will be drawn down based on a schedule to be included in the allocation agreement.
- Final payment adjustment will occur at a date specified in the agreements based on the indexed DC rates at April 1, 2010, and updated project costs based on tenders.

- Water and wastewater DC credits will be provided at subdivision agreement at the then current rate.
- There is no recovery for the non-recoverable non-residential share.
- The outstanding cash flow amount will be recovered, without interest, in subsequent allocation programs and flow through to contributing developers under the agreement.
- In accordance with the Water and Wastewater Allocation Policy approved through Report No. LPS26-08, if the water and wastewater allocated capacity is not completely used within 3 years from the date of the executed agreement, the Region may revoke any unused capacity after giving the owner six (6) months notice that the unused capacity may be revoked. If the Region transfers the unused capacity to another owner and receives payment therefore at the then current rates, the Region will return the amount of the contribution for the unused capacity made by the prior owner without interest.

### Roads

- The residential developer's cost share as set out in the Financial and Implementation Plan is equal to the road DC rate, the non recoverable non-residential share and the front-end amount (cash flow share) related to the accelerated program.
- The roads DC will be paid at subdivision agreement or, where the development is not by way of a subdivision, then at building permit at the then current rate.
- Cash payment of the cash flow and non residential non recoverable contribution will be made at the earlier of the subdivision agreement, building permit or mid 2011.
- There is no recovery for the non-recoverable non-residential share.
- The outstanding cash flow amount will be recovered, without interest, in subsequent allocation programs and flow through to contributing developers under the agreement.

### **MATTAMY 1,500 SDES PRE-RELEASED THROUGH REPORT PPW165-07/CS-100-07**

Under Report PPW165-07/CS-100-07 Council approved a pre-release of 1500 SDEs to Mattamy, related to lands in Phase 1B and Phase 2 in Milton, on the basis that they would be subject to the financial requirements set out in the 2008/2009 Allocation Program. Accordingly, the current financial allocation agreements (2 agreements related to 800 SDE of immediate release and 700 SDE with planning controls), include terms whereby Mattamy agrees to meet the full financial and other requirements of the 2008/2009 Allocation Program once approved.

As Council is aware, this pre-release of 1,500 SDEs was to allow Mattamy to continue development of their Phase 1B and Phase 2 neighbourhoods in Milton. Of the 800 SDE that were approved for immediate release, 776 SDE have proceeded to subdivision agreement with 579 SDE of those being registered.

Given that the financial terms of the 2008/2009 Allocation Program were not known at the time, the pre-release allocation agreements were based on the terms of the 2005 allocation agreements but they require Mattamy to pay the full financial requirements (including updated DCs) in the 2008/2009 Allocation Program, when determined. Under the 2 agreements entered into, Mattamy pre-paid the HUSP water and wastewater DCs in effect at the time (being the April 1, 2007 indexed rate under By-law 57-04 of \$11,894.09 per SDE) and the section 110 contribution (being



\$1,400 per SDE). Upon approval of this report, Mattamy would be subject to all of the terms and conditions outlined in this report and therefore payment would be required for the difference in the amounts already paid and the amounts required pursuant to the 2008/2009 Allocation Program related to 1,500 SDE on the basis set out herein.

Given the development status of the pre-released units, it is important for Council to endorse financial terms of the 2008/2009 Allocation Program. As such, the terms and conditions of the 2008/2009 Allocation Program for phase 1 set out herein may ultimately apply to the pre-released 1,500 SDEs plus the additional 1,197 SDEs or it may apply solely to the 1,500 SDEs.

## **IMPLEMENTATION PLAN**

The implementation plan for the 2008/2009 Allocation Program is summarized as follows:

- The Town of Milton will be requested to allocate 500 SDEs at its Council meeting on July 20, 2009 to developers identified in this report who have submitted commitment letters to the Region.
- The Region will proceed to negotiate an Allocation Agreement with the developers for the 1197 SDEs committed to proceeding in phase 1 of the 2008/009 Allocation program based on the terms and conditions set out in this report for the 2008/2009 Development Financial Plan.
- Project tenders for the projects identified in Phase 1 of the 2008/2009 Allocation Program will proceed once the required financial securities as set out in this report have been received from all participating developers.
- Phase 2 of the 2008/2009 Allocation Program will proceed when the Region receives sufficient commitment from landowners and developers to the terms and conditions set out in this report for the 2008/2009 Development Financial Plan.

## **INFORMATION REQUESTED BY COUNCIL**

At the Planning & Public Works Committee meeting of May 6, 2009, staff were directed to provide information related to existing allocation agreements from past programs as well opportunities/recommendations for mitigating the Region's exposure and managing the use of allocation in the future. The requested information is set out below.

### **1. The status of all active allocation agreements**

As of June 1, 2009, there are 2,258 SDEs of allocation from previously approved allocation programs held by landowners in the Town of Oakville and 1,676 SDEs in the Town of Milton. The terms of the agreements governing these allocations have been complied with and the related developments are proceeding and will continue to generate residential building permits in Halton. Staff will continue to monitor the status of these developments on an ongoing basis and will report back to Council with any recommendations for reversion, if required. It should be noted that the current policy regarding reversion of allocation, which Council approved through Report No. LPS26-08 and which is detailed further below, would not apply retroactively to previous allocation programs.

2. Opportunities to improve the Region's financial controls in allocation programs to protect the Region's financing abilities, and

3. Opportunities to improve mitigation of risk to the Region where land owners do not pay for or use allocation units

As set out above, the projects being financed under this Allocation Program will not proceed until all participating landowners have executed the necessary agreements and posted the required securities with the Region. Specifically, the tendering of individual projects will not proceed until the securities associated with those projects have been posted (at either the execution of the agreement or the January or April trigger dates, as applicable). In the event that a landowner fails to make the required final payment adjustment for development charge indexing and updated project costs, the amount of recovered cash flow to be flowed through to the landowner under subsequent allocation programs will be reduced accordingly. The issue of mitigating the risk associated with unused allocation is addressed in connection with the fourth question below.

4. Recommendations for setting dates by which allocation holders must pay and utilize or lose the allocation not paid and used

Payment dates will be set out clearly within the agreement and strictly enforced, and non-compliance will have the results set out above. With respect to unused allocation, as Council is aware the current allocation policy (LPS26-08) sets a clear set of steps to be followed when the three-year sunset date of an allocation agreement has been reached. This policy, which is more stringent than the approach taken in earlier allocation programs, was developed in order to address concerns about available allocation being held by landowners who are not proceeding with their developments in a timely fashion.

## **THE REQUIREMENT FOR ALLOCATION TO COMPLETE A PLANNING APPLICATION**

Bill 51, the *Planning and Conservation Land Statute Amendment Act, 2006*, recently amended the *Planning Act* to allow municipalities to require applicants for Official Plan Amendments (OPAs), Zoning By-law Amendments (ZBAs), and plan of subdivision and consent approvals, to provide any other information or material that the municipality considers it may need, in addition to information prescribed by regulations, in order for such applications to be deemed complete and properly processed. These new provisions for complete applications only apply if the Official Plan contains provisions relating to these requirements.

The *Planning Act* also allows applicants to appeal to the Ontario Municipal Board if Council does not adopt a requested OPA within 180 days of receipt, refuses or neglects to make a decision on a requested ZBA within 120 days of receipt, fails to make a decision on a draft plan of subdivision within 180 days of receipt, or if a Committee of Adjustment fails to make a decision on a consent application within 90 days of receipt. Under the Bill 51 amendments, however, these timeframes are postponed until the applications are deemed complete by the municipality, and the municipality may refuse to accept and further consider the applications until deemed complete.

Subsection 27(1) of the *Planning Act* requires the local municipalities to amend their Official Plans to conform to the Region's Official Plan. Consequently, any amendment to the Regional Official Plan requires an amendment to the Local Official Plans where there would otherwise be a conflict.

Regional Council through its adoption of ROPA 33 on September 19, 2007, partially implemented the new legislative provisions for complete applications, for Regional Official Plan Amendments, and Regional plan of subdivision and consent approvals. ROPA 33 allows the Region to require other information and/or reports on these applications relating to a range of issues such as environmental impact, transportation, and servicing for example. However, ROPA 33 does not give authority to the Region to ensure that a servicing allocation is in place.

In Regional staff's opinion, in areas affected by the Region's allocation programs, applicants should not be permitted to file new applications for a ROPA, LOPA, ZBA, plan of subdivision or consent, unless an allocation for water and wastewater has been granted. Allowing applicants to file prior to an allocation is premature and consumes staff time at both the Region and local municipalities, especially if appealed for a non-decision.

The complete application provisions can only apply to new applications. In addition, staff recommend Regional Official Plan policies which would withhold draft plan of subdivision approval from being granted by the local municipalities for currently accepted applications, until there is Regional servicing allocation.

The above proposals will reduce staff time in processing and commenting on applications which are premature, and provide more certainty for prospective purchasers after draft approval in terms of their closing dates not being delayed by a lack of a servicing allocation.

Staff propose including draft policies in ROPA 38 which would require a Regional servicing allocation in order for a ROPA application to be deemed complete by Regional staff, and which would require the local municipalities to amend their Official Plans to require a Regional servicing allocation in order for LOPA, ZBA, plan of subdivision and consent applications to be deemed complete by local staff.

The above proposals will be refined through the approved public process for ROPA 38 and as required in the *Planning Act*, prior to a decision by Regional Council. Regional staff will also informally consult with their counterparts in the local municipalities and with the development industry through the Halton Developers Liaison Committee.

#### FINANCIAL/PROGRAM IMPLICATIONS

In keeping with the objectives of previous financial plans and the financing principles set out in CS-73-08/PWE31-08, the recommended Financial and Implementation Plan for the 2008/2009 Allocation Program includes provisions to minimize the impact of the cost of development on taxpayers. It should be noted that the recommended financial plan is based on the assumption that

all funds will be collected at the execution of the agreements in the fall of 2009. The implementation of this financial plan and tender of the projects will not proceed unless the Region secures required funds from the developers as outlined in the Financial/Allocation Agreement.

Phase 1 of the 2008/2009 Allocation Program generates \$99.7 million of water and waste and transportation infrastructure financing from residential developers.

Resources required to successfully implement the infrastructure program were identified in the Region's 2009 Budget and confirmed in CA-11-09/CS-28-09, "2010 Budget Directions". The cost of \$785,486 for the 7 FTEs to implement the infrastructure program will be funded through the capital program and administration fees collected from the Financial/Allocation Agreement.

#### RELATIONSHIP TO THE STRATEGIC PLAN

This report supports the goals of the Strategic Plan to "preserve and enhance Halton Region's strong fiscal foundation and administrative excellence".

Respectfully submitted,



J. E. MacCaskill  
Commissioner, Corporate Services and  
Regional Treasurer



Mitch Zamojc P.Eng.  
Commissioner, Public Works



Mark G. Meneray  
Commissioner, Legislative & Planning Services  
and Corporate Counsel

Approved by



Pat Moyle  
Chief Administrative Officer