
DATE: August 23, 2010

REPORT TITLE: **UPDATE ON REQUEST ON BRAMPTON CHRISTIAN SCHOOL
DEVELOPMENT CHARGES**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the report from the Chief Financial Officer and Commissioner of Corporate Services, dated June 22, 2010, titled "Payment of Development Charges By Brampton Christian Schools", be adopted;

And further that, the request to provide a grant to the Brampton Christian School to offset its payment of Regional development charges in the amount of \$243,180.74, not be approved.

REPORT HIGHLIGHTS

- The Brampton Christian School paid Regional development charges of \$243,180.74 on January 29, 2009, for an addition to its structure.
- Correspondence was received by the Region on December 16, 2009 from the Brampton Christian School requesting that the development charges (DC) be eliminated and/or substantially reduced. This request does not meet the criteria as set out under Section 20(2) of the *Development Charges Act, 1997* – Complaints about Development Charges.
- The Brampton Christian School is not on land that is owned by a board of education and used only for board of education purposes and therefore is not exempt from municipal development charges.
- Wastewater services have been adjacent to this property since 1997 and the school has opted not to connect to the service after reviewing the opportunity to connect.
- The determination of development charges for a structure reflects the availability of services to the property and not the actual usage of specific services.
- Any reduction to development charges would have to be made by way of a grant which would have to be funded from the tax base.
- If the grant is approved, a precedent would be set allowing other private schools on the tax roll, currently estimated at sixty-five, to possibly request similar treatment.
- Regional DC Reserve Funds ended 2009 in a negative balance of \$228 million; Region has recently borrowed \$300 million primarily for growth-related infrastructure and expects to continue borrowing over the next several years as was anticipated in the current DC Background Study, which included financing costs for such borrowing into the calculation of the DC rate.

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UPDATE ON REQUEST ON BRAMPTON CHRISTIAN SCHOOL DEVELOPMENT CHARGES**DISCUSSION****1. Background**

A motion tabled by Councillor Allan Thompson to provide a grant to the Brampton Christian School in order to offset the development charges that had been paid in January 2009 in the amount of \$243,180.74 was considered at the Regional Council meeting on July 8, 2010. Staff was directed to report back on a number of items relating to development charges, in particular to the situation of Brampton Christian School, at the next Regional Council meeting.

2. Findings

The following information addresses the various directions to staff arising from the July 8th Regional Council meeting.

a) Application of Regional Development Charges

As stated at the Council meeting, Regional development charges are governed under the *Development Charges Act, 1997* (the "Act"). According to Section 26.(1) of the *Act*, a development charge is payable for a development upon a building permit being issued for a development unless the development charge by-law provides otherwise. Development charges are levied against all new or re-developed structures within the Region of Peel in order that substantial capital works required to facilitate growth can occur, without eroding current service levels. The growth related capital costs are apportioned among various types of development (residential, industrial and non-industrial) in a manner that reflects the increased need for each service attributed to each type of development. A development charge rate is imposed for each type of development and is applied consistently across the entire region as the provision of infrastructure is viewed to benefit the region as a whole and is not specific to one area.

The determination of development charges for a structure reflects the availability of services to the property and not the actual usage of specific services. Where municipal water and wastewater services are not available, a discount is applied to the rate as shown in the appendix. If services are adjacent to a property or if Regional Council has approved in principle the construction of the service within two years following the issuance of a building permit, that property would be deemed to have the service available to it (regardless if a connection is made or not) and therefore development charges would be applicable. Development charges are not levied in the case of an addition to an existing residential dwelling unit, however, if a new residential unit is constructed, development charges would be assessed based on the services available to the development.

As per Section 20 of the *Act*, a property owner may register a complaint up to 90 days after the development charge is payable if the owner believes there has been an error in either application or calculation of the charge. The Brampton Christian School paid their development charges on January 29, 2009, however, the Region did not receive any requests or correspondence related to the paid development charges until December 16, 2009. The Brampton Christian School did not avail itself under authority of Section 20 of the *Act* to register a complaint regarding the Regional development charges imposed on its property.

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b) Brampton Christian School access to Regional Services

Staff was requested to address claims by the Brampton Christian School of being required to pay development charges for wastewater, water and roads when the school had previously paid for servicing, but was not being utilized. As mentioned above, determination of development charges for a property reflects the availability of services to the property and not the actual usage of the service. The Brampton Christian School has been assessed twice for Regional development charges for two separate school additions that occurred in 1995 and 2009:

- In 1995, the development charges assessed (\$10,183.21) did not include a charge for the wastewater system as this service had not yet been extended to the general area of the school.
- The addition in 2009 was subject to full Regional development charges as all Regional services were accessible at that time. A demolition credit of \$56,498.02 was applied to reflect the removal of six portables resulting in the total Regional development charge amount of \$243,180.74.

In both cases, the development charges were calculated based on the increased gross floor area ("GFA") represented by the additions only, and not to the main school building. The Region requires full development charge contributions from all development so that growth related capital works can be constructed while maintaining service levels to the community.

The Brampton Christian School is within access proximity to Regional wastewater servicing although is not connected to the system as it remains on its own septic system. As stated above the Regional development charges by-law is applicable to properties that are adjacent to Regional services regardless if the property owner chooses to use the service (i.e. connect to sanitary sewer system) or not. Wastewater servicing has been available to the school since 1997. The school had approached the Region to inquire about connecting to the sanitary sewer system as early as 2002. After studying the feasibility of directly accessing the Regional sewer system or pursuing other alternatives, the school decided in July 2008 not to connect to the sewer system and instead remain on an existing private septic system.

c) Waiving of Development Charges by Town of Caledon

Council asked Regional staff to report back on the rationale as to why the Town of Caledon waived the development charge fees for the Brampton Christian School (previously known as K.R.T. Christian School). The Town of Caledon approved two reports (Solicitors Report 95-4 and Report CS-2008-029) requesting the exemption of development charges with respect to two distinct school building additions in 1995 and 2009. It is noted that report CS-2008-029 clearly states that Brampton Christian School did not qualify for the development charges exemption under the school board exemption provision as it is not a board as defined by the *Act* (although it does have a board). The underlying basis for exemption lies in the provision of the Town's development charges by-law authorizing the Town's Council, by resolution, to waive the payment of development charges in whole or in part with respect to land to be developed for an institutional use. The Brampton Christian School was categorized as an institutional use property where its land, building or structure is used for educational and non-profit purposes and therefore eligible for consideration for exemption from the Town's development charges. The Regional development charge by-law does not include an institutional use category nor does it provide for its exemption.

d) Comparator - Development Charges Collection Policies in Other Municipalities

Council directed staff to provide additional research on how other municipalities handle collection of development charge payments with respect to non-profit educational institutions, which are not exempt under the school board provision of the *Act*. A review of GTA Regions by-laws indicated that relief for private schools is limited to York Region which

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provides reprieve from development charges if the educational institution is exempted from payment of lower-tier municipal development charges and is also exempted from property taxes under the *Assessment Act*. Both conditions must be satisfied for Regional development charges to be exempted.

The survey of GTA Regions also indicates that if water and wastewater services are available in the area of the educational institution's location, but the property owner or school does not use the services, the development is still subject to full development charges.

e) Infrastructure Deficit

Council requested that staff report on what the overall infrastructure deficit is on a region wide basis. As part of the adoption of the DC By-law 115-2007, the DC Background Study (October 2007) indicated that significant investment in strategic infrastructure was needed to support growth and development throughout Peel and it was expected that borrowing would be required to fund annual shortfalls in development charges particularly during the initial years of the study period. The financial modeling used to generate the development charges rates in 2007 assumed debt financing and anticipated a \$0 balance by the end of the 2031, which is the planning horizon of the development charges program. At that time it was anticipated that approximately \$1 billion would need to be borrowed. Staff has advised Council through regular annual updates since the adoption of the DC by-law and as part of the 2010 capital plan management process as to both capital spending plans to address infrastructure needs and the status of the DC Reserve Fund.

The 2009 Treasurer's Statement on Development Charges which is also on the September 9, 2010 Council agenda indicates that the DC cash balance had transitioned to a negative position during 2009, ending the year with a negative balance of \$228 million. The level of development charge revenues which weakened during 2009 has continued to remain soft throughout 2010, reflecting trends in the economy.

On May 27, 2010, Council approved authorizing up to \$400 million to be borrowed mainly for the purpose of funding growth related infrastructure that will be funded at a later time through the collection of future development charge revenues. The Region completed a \$300 million debenture which was approved by Council on June 24, 2010. It is anticipated that the Region will be going to the capital market again in the near future.

Council needs to consider any grant or refund of development charges within the context of the current fiscal situation and as well anticipate the future potential impact as more private schools could come forward to request the same treatment as Brampton Christian School.

f) Analysis of Development Charges Applicable to Private Schools

As indicated in the report from the Chief Financial Officer and Commissioner of Corporate Services titled "Payment of Development Charges by Brampton Christian Schools", dated June 22, 2010, both the *Act* and the Regional DC by-law 115-2007 state that only land that is owned by a board of education and used for board of education purposes are exempt from Regional development charges.

Brampton Christian School is one of 65 private schools within the Region of Peel based on information provided by the Ministry of Education; 47 in Mississauga, 14 in Brampton and 4 in Caledon. Based on staff's review of property information relating to the 65 schools it was determined that private schools come in different forms and are located in industrial units, office buildings, places of worship and shopping centers as well as the traditional school building.

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Due to the age and diversity of the structures that contain private schools, it is very difficult to determine the potential overall impact of providing a similar refund of development charges as most of these structures (approximately 42 of 65) were built prior to lot levies and therefore equivalent development charge payments were not required. Also most schools that fall within the non traditional setting (i.e. industrial units, office buildings and shopping centers) would be considered to be in a lease agreement and the development charge presumably would have been paid by the property owner further complicating the estimation of any related development charge payments. It has been determined that of the 65 private schools, conclusively only 27 development charge payments, amounting to approximately \$1 million, were made, about two-thirds of which relate to the schools in the traditional setting.

Council's decision whether or not to waive or exempt the development charges for Brampton Christian School could be precedent setting and would have financial implications in the future. It is noted that 16 schools (25 percent) have either been established or expanded within the past ten years. It is therefore reasonable to assume that the number of private schools will grow especially given the increasingly diverse nature of the population in Peel. In addition, private schools that fall within the non traditional setting and in a lease agreement could take the opportunity to relocate if given such an incentive to do so (i.e. if development charges are waived) thereby impacting Regional finances in the future.

CONCLUSION

This report has clarified that the development charge rate levied against the Brampton Christian School was in accordance with the current Regional Development Charge By-law 115-2007 and as such the request for refund in part or in whole should not be approved.



Norma Trim
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:


D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Dave Bingham at extension 4292 or via email at binghamd@peelregion.ca

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c. Legislative Services

MA-B12-6

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APPENDIX I

REGION OF PEEL
DEVELOPMENT CHARGE RATES
BY-LAW 115-2007

INDEXED RATES AS AT AUGUST 1, 2010

Program	Other Residential	Apartment (>750 sf)	Small Unit (≤750 sf)	Non-Industrial (m ²)	Industrial (m ²)
Water	5,257.92	3,755.67	1,952.95	22.76	22.76
Wastewater	4,337.87	3,098.49	1,611.21	19.03	19.03
Roads	6,124.97	4,374.98	2,274.99	46.37	19.46
Police	328.52	234.66	122.03	0.90	0.90
Long Term Care	227.65	162.60	84.56	0.00	0.00
Transhelp	3.77	2.68	1.40	0.00	0.00
Health	0.00	0.00	0.00	0.00	0.00
Children Services	56.16	40.12	20.86	0.00	0.00
Social Housing	193.51	138.22	71.87	0.00	0.00
Shelters	34.79	24.85	12.92	0.00	0.00
Ambulance	83.85	59.89	31.15	0.00	0.00
Growth Studies	47.29	33.77	17.56	0.15	0.15
Peel - Full Service	16,696.30	11,925.93	6,201.50	89.21	62.30
Peel - Water Only	12,358.43	8,827.44	4,590.29	70.18	43.27
Peel - Outlying	7,100.51	5,071.77	2,637.34	47.42	20.51
<i>GO Transit</i>	446.09	318.64	165.13	0.00	0.00
Peel (with GO) - Full Service	17,142.39	12,244.57	6,366.63	89.21	62.30
Peel (with GO) - Water Only	12,804.52	9,146.08	4,755.42	70.18	43.27
Peel (with GO) - Outlying	7,546.60	5,390.41	2,802.47	47.42	20.51
Rate without Police & GO	16,367.78	11,691.27	6,079.47	88.31	61.40
OPP	53.58	38.28	19.90	0.02	0.02
Caledon - Full Service	16,421.36	11,729.55	6,099.37	88.33	61.42
Caledon - Water Only	12,083.49	8,631.06	4,488.16	69.30	42.39
Caledon - Outlying	6,825.57	4,875.39	2,535.21	46.54	19.63
<i>GO Transit</i>	446.09	318.64	165.13	0.00	0.00
Caledon (with GO) - Full Service	16,867.45	12,048.19	6,264.50	88.33	61.42
Caledon (with GO) - Water Only	12,529.58	8,949.70	4,653.29	69.30	42.39
Caledon (with GO) - Outlying	7,271.66	5,194.03	2,700.34	46.54	19.63