THE REGIONAL MUNICIPALITY OF PEEL
GROWTH MANAGEMENT COMMITTEE

AGENDA

DATE: Thursday, March 3, 2016
TIME: 10:30 AM – 12:00 PM
LOCATION: Regional Council Chamber, 5th Floor
10 Peel Centre Drive, Suite A
Brampton, Ontario

MEMBERS: B. Crombie; F. Dale; J. Downey; N. Iannicca; L. Jeffrey; E. Moore;
B. Shaughnessy; A. Thompson; J. Tovey

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

1. DECLARATIONS OF CONFLICTS OF INTEREST
2. APPROVAL OF AGENDA
3. DELEGATIONS
4. REPORTS

4.1. The New Approach to Planning, Servicing and Financing Growth in the Region of Peel
    Presentation by Nicola Crawhall, Consultant, Westbrook Public Affairs; and
    Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer,
    Region of Peel

4.2. New Approach to Planning, Servicing and Financing Growth: Milestones and
    Collaboration (Oral)
    Presentation by Dave Bingham, Treasurer and Director of Corporate Finance;
    Gary Kocialek, Acting Director, Transportation; Arvin Prasad, Director,
    Integrated Planning Division; and Mark Schiller, Executive Director, Water and
    Wastewater

4.3. Bill 73 and Ontario Regulation 428/15 - Changes to the Development Charges Act (For
    information)
    Presentation by Dave Bingham, Treasurer and Director of Corporate Finance
5. COMMUNICATIONS

6. IN CAMERA MATTERS

7. OTHER BUSINESS

8. NEXT MEETING

Thursday, May 19, 2016, 9:00 a.m. – 10:30 a.m.
Council Chamber, 5\textsuperscript{th} Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

9. ADJOURNMENT
DATE: February 22, 2016
REPORT TITLE: THE NEW APPROACH TO PLANNING, SERVICING AND FINANCING GROWTH IN THE REGION OF PEEL
FROM: Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer
Lorraine Graham-Watson, Commissioner of Corporate Services
Dan Labrecque, Commissioner of Public Works

RECOMMENDATION

That the new approach to engaging the development community, the Cities of Mississauga, Brampton and the Town of Caledon, in exploring alternative growth infrastructure financing options as outlined in the report from the Commissioner of Finance and Chief Financial Officer, Commissioner of Corporate Services and Commissioner of Public Works, titled “The New Approach to Planning, Servicing and Financing Growth in the Region of Peel”, be endorsed;

And further, that a report regarding the new approach be brought forward to the May 19, 2016 Growth Management Committee meeting, for approval following comments received from the development community, the Cities of Brampton and Mississauga and the Town of Caledon;

And further, that the Growth Management Program milestones and timelines as outlined in the subject report, be endorsed.

REPORT HIGHLIGHTS

- The Growth Management Committee was established in fall 2013 to address key issues and develop strategies to mitigate the risks associated with managing growth in Peel and the Program’s work to date has provided key foundational data and information and reinforced the need for a new approach to planning, servicing and financing growth in Peel
- On July 9, 2015 Council directed staff to undertake a different approach to engaging the development community and the Cities of Mississauga, Brampton and the Town of Caledon (Area Municipalities) in exploring alternative growth infrastructure financing options to inform the next Development Charge By-law update
- The new approach requires Regional and area municipal staff and development industry representatives to work together to manage growth in a manner that aligns with the Regional and area municipal growth planning objectives and is financially sustainable
- Earlier and enhanced engagement with the Area Municipalities and development industry will result in revised Program milestones and timelines.
DISCUSSION

1. Background

a) Growth Management Program

The Growth Management Committee was established in fall 2013 to better understand and address the key issues to managing growth in Peel. The Growth Management Program has focused on four key components:
   i. Region of Peel 2041 Official Plan Amendment
   iii. Financial Plan / Financing Options Review
   iv. Costs, Benefits and Risks of Growth to 2041 Study

Staff from the Integrated Planning, Water and Wastewater, Transportation and Corporate Finance divisions have been working together to achieve the Program’s initial objectives:
   • To better understand the costs/benefits/risks associated with growth to 2041;
   • To identify the financing/servicing options that support sustainable growth;
   • To develop Official Plan policies that support a sustainable growth management plan;
   • To update the Development Charges (DC) By-law to support a sustainable growth management plan; and,
   • To integrate all work related to growth management.

Over the past year, progress has been made toward supporting a financially sustainable growth plan with details highlighted in Appendix I. In particular, the 2015 DC By-law introduced significant changes to assumptions, ensuring better alignment between revenues and costs and introduced risk sharing with the development industry by advancing DC collections from issuance of building permit to subdivision agreement. More work needs to be done to manage outstanding risks related to the Region of Peel’s growth related infrastructure investments.

b) Managing Growth Related Risks

As outlined in the discussion paper “A New Approach to Planning, Servicing and Financing Growth in the Region of Peel” (attached as Appendix II), the Region faces challenges in long term planning, servicing and financing growth. Over the past decade the Region of Peel (Region) made generational investments in water and waste water infrastructure to support Peel’s growth needs to 2031. The generational investments which were required prior to growth occurring required debt financing. To date the Region has borrowed $1.3 billion to support this investment.
During the past two years, Growth Management Committee received information on factors which are increasing risk to the Region’s investments, e.g. changing nature of employment (increase in no fixed place of work, de-manufacturing, changing densities etc.), lower levels of employment, and the impact of intensification (location/timing).

The work to date reinforces the need to explore a new approach to planning, servicing and financing growth in Peel. In order for Regional investments supporting growth to be financially sustainable, the costs, benefits and risks of growth must be shared between the Region, Area Municipalities and the development industry.

On July 9, 2015, Council resolution 2015-551 directed that staff take a different approach to engaging the development community and the Area Municipalities in exploring alternative growth infrastructure financing options to inform the next Development Charges By-law update. Regional Council recognized that the Region must change how it plans, manages and finances growth to resolve financial concerns while striving to achieve the Region’s planning objectives.

2. **A New Approach to Planning, Servicing and Financing Growth in Peel**

To advance a new approach, the Region retained the services of Nicola Crawhall of Westbrook Public Affairs to work with the Region, Area Municipalities and the development industry to draft a discussion paper outlining a path of collaboration and integration moving forward.

The discussion paper which incorporates feedback from the Area Municipalities and development industry outlines the key aspects of the new approach and includes questions that are intended to help guide strategic discussions with the Region, Area Municipalities and development industry regarding the new approach.

The key aspects to the new approach which are explored in the discussion paper are:

i. The Region needs to reduce the growth cost-revenue gap;

ii. The Region needs to integrate financing and servicing considerations into planning decisions early in the process;

iii. Together with the Area Municipalities and the development sector, the Region needs to be more agile in its approach to the changes and uncertainty that accompany growth and development;

iv. The Region needs to adopt a growth-focused, risk-based financing strategy.

Collaboration between the Area Municipalities and development industry is critical to the success of the new approach. The new approach is an iterative process that will involve discussions about regional and area municipal growth objectives, risks and issues, including the unique issues and opportunities within each area municipality. The decisions that impact the Program milestones will need input and information from the Region, Area Municipalities and development industry in order to support growth that is financially sustainable.

The Growth Management Committee is requested to endorse the conceptual process which includes integrating financing and servicing considerations into planning decisions; proactively addressing how the Region, Area Municipalities and development industry resolve development applications inconsistent with the Growth Plan; and puts in place a
growth-focused, risk-based financing strategy. As the detailed workplan is developed, it will be brought forward to Growth Management Committee for approval.

3. Program Milestones and Timelines

A new approach will involve earlier and more in-depth discussions with the Region, Area Municipalities and development industry regarding the issues, risks and opportunities for managing growth in Peel. These discussions will inform key milestones such as the Base Master Servicing Plans, Land Budget and draft Regional Official Plan Amendment (ROPA), etc., and will result in more integrated and comprehensive planning, servicing and financing strategies that best meets the needs of the Region, Area Municipalities and development industry.

The Bolton Residential Expansion Study (BRES) and the Regional Official Plan Amendment (ROPA) will provide an opportunity to test elements of the new approach. Similar to BRES, the Region will undertake a comprehensive review, prior to finalizing future ROPAs to ensure the objectives of all stakeholders, including the Region’s interests, are assessed. Recommendations from these discussions will be presented to the Growth Management Committee and/ or Regional Council.

Key milestones for the work that will be undertaken are outlined below:

<table>
<thead>
<tr>
<th>Program Milestone</th>
<th>Anticipated Completion Date</th>
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<tr>
<td>New Approach Recommendations based on comments from Area Municipalities &amp; development community</td>
<td>May 2016</td>
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<tr>
<td>Base Master Servicing Plans &amp; Capital Plans</td>
<td>Q2/Q3 2016</td>
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<tr>
<td>BRES ROPA Update</td>
<td>Q1 - Q4 2016</td>
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<tr>
<td>Collaborative discussions with Area Municipalities and development industry</td>
<td>Q2 2016 - Q1 2017</td>
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<tr>
<td>Land Budget &amp; Draft ROPA 27 presented to Council</td>
<td>Q1 2017</td>
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<tr>
<td>ROPA 27 Public Meeting &amp; Open Houses</td>
<td>Q1 2017</td>
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<tr>
<td>ROPA 27 - Council Adoption</td>
<td>Q2 2017</td>
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<tr>
<td>Updated Master Servicing Plans based on preferred growth scenario</td>
<td>Q2 2017</td>
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<tr>
<td>Updated Capital Plans</td>
<td>Q3 2017</td>
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<tr>
<td>DC By-Law Update</td>
<td>Q2 2018</td>
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Due to the enhanced engagement with the Area Municipalities and the development industry, the timing of the next DC By-Law update is now planned to occur in 2018, with the DC Background Study work starting in Q4 2017.

CONCLUSION

A new approach to planning, servicing and financing growth in Peel requires Regional and area municipal staff and development industry representatives to work together to manage growth in a manner that aligns with the Regional and area municipal growth planning objectives and is financially sustainable. The outcome will be growth in Peel where costs and risks are shared and growth is serviced in a timely and agile manner.

Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

Lorraine Graham-Watson, Commissioner of Corporate Services

Dan Labrecque, Commissioner of Public Works

Approved for Submission:

D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I - Growth Management Program Progress to Date
Appendix II - Discussion Paper: A New Approach to Planning, Servicing and Financing Growth in Peel Region

For further information regarding this report, please contact Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer, extension 4759, or at stephen.vanofwegen@peelregion.ca.

Authored By: Cathy Ancheta
# GROWTH MANAGEMENT PROGRAM PROGRESS TO DATE

<table>
<thead>
<tr>
<th>Project</th>
<th>Overview</th>
<th>Key Outcomes</th>
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| Costs, Benefits, Risks of Growth Study | - Study completed by Canadian Centre for Economic Analysis to conduct a comprehensive analysis of the costs, benefits and risks associated with growth in Peel  
- Study findings presented to Growth Management Committee on April 30, 2015  
- Final comprehensive report completed in May 2015 | - Federal/Provincial governments benefit most from Peel's infrastructure investments  
- Peel retains investment risk  
- Peel is unlikely to achieve Places to Grow employment targets |
| Development Charge By-Law Updates (2015 & 2017) | **2015**  
- Approved by Regional Council on September 10, 2015 | - Development Charge rates increased to improve sustainability of growth program  
- Collection of most residential Development Charges were advanced to subdivision agreement stage to decrease financing risk to Region  
- New rate for lower density townhomes  
- Employment growth forecasts back ended to more accurately reflect actual expected pace of development  
- Development Charge Model adjusted to better reflect road related ‘benefit to existing’ (BTE) and post period investments in water and wastewater infrastructure |
| | **2017**  
- July 9th - Council report re: the next DC Process and Consultations presented  
- Council resolution directed staff to take a new approach to engaging the development community and the area municipalities in exploring alternative growth infrastructure financing options to inform the next planned Development Charge By-law update based on the population and employment forecasts to 2041 |  |
| Financial Plan/Financing Options | - Project to explore alternative conceptual funding options for servicing growth  
- Bill 73 and Ontario Regulation 428/15 requires municipalities to consider area-specific charges as part of next DC bylaw update  
- Work on hold pending further direction | - Collection of Development Charges for most residential hard services DC’s advanced to subdivision agreement stage |
### Project Overview

**Peel 2041 Official Plan Policies**

- Regional Official Plan Amendment 27 (ROPA 27) underway to bring the Official Plan into conformity and includes:
  - 2031b and 2041 population and employment forecast allocations to area municipalities; and;
  - Also includes policies related to housing assessments, Healthy Development Assessments, and Age-friendly Planning

- In June 2013 Regional and area municipal CAOs adopted principles in forecast allocations:
  - Protect agricultural lands, the environment, and resources
  - Support ‘growth pays for growth’ concept, minimizing impact on existing taxpayers
  - Efficiently utilize existing and planned Regional infrastructure
  - Densities that support transit and complete communities
  - Planning for a range of employment over the long term to adjust to market cycles

- Four Growth Management Workshops were held from May 2013 to March 2015 to provide input to the forecast allocations and policies

- Advanced draft land budget 2015 in consultation with the area municipalities to demonstrate ability to achieve the Growth Plan targets and for use in base Master Plan work which is now underway

- May 2015 completed joint study with Regional Planning Commissioners, Public Works Commissioners, and Regional and Single-Tier Treasurers of Ontario on ‘Implementing the Growth Plan: Seeking Provincial and Municipal Alignment to Support a Prosperous Ontario’ for input to forecast allocations and policies

### Key Outcomes

- Improved data for employment forecasting and identifying trends (e.g. ‘2014 Employment Trends and Forecast Study’)

- Prepared draft policies for ROPA 27 to conform to the Provincial Growth Plan

- Input to base scenarios for Regional Water/Wastewater Master Plan process
A New Approach to Planning, Servicing and Financing Growth in Peel Region

A Discussion Paper

Draft version 7  01/28/16

Prepared by

Westbrook
Public Affairs

For

Corporate Services
Region of Peel
Appendix II - The New Approach to Planning, Servicing and Financing Growth in the Region of Peel

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1. Introduction

By 2018 the Region of Peel is required to bring its Regional Official Plan (ROPA) into conformity with the provincial Growth Plan (Amendment 2). This amendment will set in motion planning, servicing and financing to accommodate an additional 500-600,000 people and a total of 970,000 jobs by 2041, as projected by the provincial Growth Plan for the Greater Golden Horseshoe (Growth Plan).

As the Region of Peel and area municipalities within the Region move forward to achieve the growth vision as articulated in the Growth Plan, as well as in their own Official Plans, they must also consciously identify and manage the financial risk inherent in investing in generational infrastructure prior to growth arriving.

To achieve both aims (achieving their growth vision and mitigating financial risk associated with growth) the Region is developing a new approach to planning, servicing and financing growth within the Peel planning process.

From the Region’s perspective, this new approach must achieve four objectives: i) to manage and share the financial risk inherent in long term, two tier planning for growth; ii) to contain growth-related debt levels; iii) to optimize regional infrastructure, and iv) to provide a means by which the Region can apply its growth management principles more proactively through the Regional planning process and through implementation.

The new process will be designed to be more adaptable to the unique circumstances of each area municipality, by identifying growth opportunities and/or risks earlier, and by working collaboratively to address them in a way that meets everyone’s growth needs while reducing financial risk.

This paper is divided into two parts. The first explains the uncertainty inherent in Regional planning, servicing and financing for long term infrastructure. The second part describes a proposed new approach to planning, servicing and financing growth that will realize the growth objectives of Peel Region and its area municipalities while mitigating and managing financial risk to the Region.
2. The Challenge of Long Term Planning, Servicing and Financing of Growth in Peel Region

As the Region of Peel prepares its Regional Official Plan Amendment (ROPA) to conform to provincial Growth Plan (Amendment 2) population and job projections through to 2041, it has simultaneously embarked on a process to better understand the financial risks inherent in this planning process, and to put in place a process to identify and manage those risks.

It is the Region’s role to plan, service and finance generational infrastructure to facilitate growth in its three area municipalities. Much of the infrastructure for which the Region is responsible, such as water and wastewater treatment plants and mains, must be in the ground and paid for before growth arrives. This means that it is the Region that assumes most of the financial risk associated with the capital investment. This is in contrast to much of the area municipality infrastructure, which is not built until after occupancy. (see table below, ‘Investing in Infrastructure for Growth’)

In previous periods of relative economic stability, predicting future growth was fairly straightforward. Regional residential and employment forecasts were by and large accurate, and planned servicing and financing met these needs. From the Region’s point of view, the challenge was limited to managing the cash flow during the period between the first infrastructure investments to the last building permits when the remaining development charges (DC) revenues were received. This cash flow period was managed by using debt capacity. So long as the DC revenue received equalled the original costs, minimal risk was incurred by the Region.

At times, the Region plans to incur a considerable amount of debt. This was the case in 2007, when Council agreed to incur $1 billion in debt for generational increase in water and wastewater infrastructure that was needed before growth arrived. Unfortunately, this decision was made on the eve of the 2008 recession, when relative economic stability gave way to unpredictability and volatility. Forecasting growth, and growth revenues, became fraught with uncertainty and risk. The recession accelerated the changes in the employment sector seen from 2000, caused by a rising Canadian dollar, free trade agreements, and advancing technologies. These changes resulted in a loss of manufacturing jobs, an increase in more part-time jobs, more employees with no usual
place of work (construction workers, truckers), more at-home workers, and lower density employment associated with the growth of logistics and warehousing.

As a result of what is now understood to be both cyclical and structural change in Peel Region’s employment profile between 2008-2013, the Region’s growth assumptions and forecasts did not bear out. Instead, building permit activity declined, as did DC revenues. Quite quickly, the Region moved from a position of zero growth-related debt to an accumulated debt of $1.3 billion in growth-related costs, with an increasing risk of future DC revenues materializing as forecast. This rapid accumulation of growth-related debt raised serious concerns for Peel Regional Council about the financial sustainability of its planning and servicing trajectory through to 2041. In response, Council has called for a new approach to planning, servicing and financing growth to resolve these concerns and put the Region back on a financially sustainable path.

The decisions that the Region will make with respect to this new approach will impact both area municipalities and the development sector. It is vitally important for all parties to recognize their stake in this new approach and to fully participate in its development. Ultimately, the Region, area municipalities and the development sector must find a way to work together that helps achieve the goal of financially sustainable growth over the long term.
### Investing in Infrastructure for Growth

#### Peel Assumes Risk

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<tr>
<th>Service</th>
<th>Capital Item</th>
<th>DC Collection</th>
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<tr>
<td>Water: Treatment</td>
<td>Water Treatment</td>
<td>Proposed stage at which Region will collect hard service DCs</td>
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<td>Transmission Distribution Local</td>
<td></td>
<td>Stage at which Region currently collects DC (Watson &amp; Assoc., 2015)</td>
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<td>Wastewater Transmission (Conveyance)</td>
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<td>Stormwater Management Facilities</td>
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<td>Roads and Related Rolling Stock</td>
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<td>Library Facilities</td>
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<td>Provincial Offences Act Facilities</td>
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<td>Parks Parkland Development</td>
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<td>Recreation Facilities</td>
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<td>Police Communication Equipment</td>
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<td>Police Vehicles</td>
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- **Blue**: Region
- **Yellow**: Area Municipality
- **Green**: Area Municipality & Region

#### Development Timing

- OPA/Secondary Plan
- Draft Approval
- Subdivision Approval
- Building Permit
- Post Occupancy
3. A New Approach to Planning, Servicing and Financing Growth in Peel Region

The objective of the new approach to planning, servicing and financing growth in Peel is to ensure that the Region provides the necessary servicing to support growth in area municipalities in a way that is financially sustainable.
From the Region’s perspective, the new approach is intended to achieve four objectives that are essential to make growth financially sustainable:

i) to manage and share the financial risk with area municipalities and the development industry;
ii) to contain growth-related debt levels;
iii) to optimize regional infrastructure, and
iv) to provide a means by which the Region can proactively apply its growth management principles.

The new process will also be designed with a view to being more adaptable to the unique circumstances of each area municipality, by identifying growth opportunities and/or risks earlier, and working collaboratively to address them in a way that meets everyone’s growth needs while reducing financial risk.

Details of the new approach will be developed by the Region in consultation with the area municipalities and the development industry, beginning in early 2016. The following is a discussion of the key aspects of such a new approach.

**Key aspects of the new approach**

To create a virtuous cycle in the planning, servicing and financing of growth, four reinforcing factors must form part of the new approach:

i. The Region needs to reduce the growth cost-revenue gap.
ii. The Region needs to integrate financing and servicing considerations into planning decisions early in the process.
iii. Together with area municipalities and the development sector, the Region needs to be more agile in its approach to the changes and uncertainty that accompany growth and development.
iv. The Region needs to adopt a growth-focused, risk-based financing strategy.
Reducing the growth-cost to revenue gap

There are a number of ways in which the Region is already reducing the growth cost-revenue gap through its approach to development charges.

Review of the DC Model and Assumptions
Regional Council has called for a review of the DC model and assumptions built into the methodology to determine development charges, to ensure that the methodology for determining DCs under the DC bylaw more accurately reflects real conditions on the ground, including reviewing the definition, and calculation and application of ‘persons per unit’, ‘floorspace per worker’, ‘housing mix’, and others. It will also be important to ensure that DC modelling assumptions are consistent with assumptions used in the servicing and growth plans.
Appendix II - The New Approach to Planning, Servicing and Financing Growth in the Region of Peel

DC Rate Adequacy Assessment
Since 2012, Council has required an annual adequacy assessment of DC rates, the purpose of which is to verify whether DC rates as set in the DC bylaw need to be adjusted to ensure sustainability of the DC program through to its full planning horizon (currently 2031). A new background study is required in situations where the assessment shows a rate shortfall of greater than 20% (Region of Peel, 2013)

Earlier Collection of DCs
The Region has advanced all hard service collections for most residential development to the earliest time in the development process, from building permit issuance to subdivision approval. This change in timing alone is expected to save the region $80-130 million in draft issuance and related financing costs. (Peel Region, 2014)

Integration of financing and servicing considerations into planning decisions

Traditionally, official plan amendments are a product of a long sequential process beginning with planning decisions on land allocation, followed by servicing decisions made through the master planning and annual capital planning process, and ending with financial decisions through the development charge by-law update.

The new approach proposes a greater integration of planning, servicing and financing considerations early in the process, to make servicing and financing implications of key planning decisions transparent. While there is still merit in the sequence of the key milestones (land allocation, master planning, capital plan/budget, Official Plan amendment, DC by-law update), each of these elements must inform the other, rather than be developed separately. This will involve more advanced work on some key servicing and financing information that will be brought forward to allow for this multidisciplinary evaluation of key planning proposals before decisions are made.

In addition to evaluating planning decisions from a servicing and financing perspective, the integration of financing and public works staff in discussions with planning staff is also crucial. Many meetings related to growth issues between the Region and area municipalities are often attended mainly by planning staff. Multi-disciplinary teams from
both the Region and area municipalities are needed to bring essential financing and servicing perspectives to two-tier planning decisions.

While this approach may involve more work upfront by finance and public works staff, it is anticipated that it will reduce work further along the process and at the implementation stage. It will also have the added benefit of bringing forward to decision makers information that may be integrated with other aspects of planning, such as transit planning, and economic development.

**How should the Region, area municipalities and the development sector integrate consideration of planning, financing and servicing throughout the planning process?**

**Agile Approach to Change and Uncertainty**

The third factor to be considered in the new approach involves a more agile approach in the face of change and uncertainty. This involves identifying risk and uncertainty related to growth during the development of a growth plan. This must occur at the beginning of the planning process, at the land allocation stage, and continue through the entire planning process. It is also essential at the point of implementation, when changing circumstances on the ground do not match up with assumptions in land application and servicing plans.

The risk is that at each stage of the planning process, assumptions, forecasts, and other types of risk are accepted at face value with little evaluation of the financial liability that lie beneath them. These can include assumptions regarding employment DC revenue, predicting the pace and location of intensified growth, as well as external decisions such as provincial transit funding or Ontario Municipal Board (OMB) decisions regarding conversions.

A central aspect of this approach is the early identification of points of financial risk. It is proposed that through earlier and more frequent interaction amongst the Region, area municipalities and the development sector, these points of uncertainty can be identified and explored together to better inform servicing and financing decisions going forward.
Appendix II - The New Approach to Planning, Servicing and Financing Growth in the Region of Peel

This will involve greater knowledge sharing and collaboration on a variety of matters including current and potential development, planning and financing infrastructure, establishing population and jobs projections, and monitoring and reporting on development. This more interactive approach will allow for greater adaptability to the realities of growth on the ground, through phasing and staging servicing as required. As this process proceeds, adjustments will be made through more integrated, iterative decision making between and amongst the Region, area municipalities and the development sector, with a view to ensuring that servicing occurs where it is needed, when it is needed, and predicted revenues to pay for the servicing bear out.

These more frequent discussions could also address issues of contention earlier in the process, such as how ‘Benefit to Existing’ (BTE) is calculated, post period benefits and recovery through future DC by-laws beyond the current by-law’s planning horizon, the staging and phasing of infrastructure to adapt to growth on the ground, and the Region’s ultimate growth forecast, which shows the maximum capacity for Regional infrastructure.

The level of detail needed to identify uncertainties and risks early in the process would need to be the subject of negotiation. For example, dialogue and sharing of information on assumptions related to the mix of residential and non-residential, density, employment allocation, floor space per worker, office space intensification, no fixed place of work, and developers’ perspectives and plans could inform this process. Area municipalities will need to be assured that the added resources needed to participate in this new process are warranted and bring about a material difference in outcomes.

It is through the annual capital planning and budgeting process that much of the adjusting will likely occur both during the planning stage and on an ongoing basis at the point of implementation. This is the point at which the Region determines its short term investment schedules to align to Places to Grow population projections. Adjustments at the annual capital planning stage would allow the Region and area municipalities to respond in a more nimble fashion when housing developments or employment development numbers are not hitting anticipated forecasts. Capital plans can be modified to slow down some projects, expand or shrink the capacity of others, and speed up others. Such staging and phasing is a key strategy being applied right across the Greater Golden Horseshoe (GGH) to align long term planning and actual growth on the ground.
In practical terms, the Region and area municipalities must decide what existing or new forums are needed to facilitate this more interactive, iterative planning process. There are currently two principal committees through which the Region and area municipalities share growth-related information. The Technical Advisory Committee (TAC) handles mostly administrative items, but at times is used by the Region to share and seek quick feedback on Regional documents that contain quite significant policy shifts. The Regional Area Municipalities Planning Commissioners (RAMPC) is a more senior committee that meets quarterly. Neither is considered a decision making body for growth related issues. These committees often only have planning staff participation.

Finally, careful consideration should be given to shifts in provincial policy related to growth and the Growth Plan in particular. For instance, a report prepared by the Coordinated Land Use Planning Review Advisory Panel (Crombie Panel 2015) notes the lack of municipal confidence in the Growth Plan population and employment forecasts and recommends to the Province that the methodology for reviewing these forecasts be reviewed. Likewise, more direction is expected from the Province on developing land budgets. Land allocation decisions early in the planning process may need to be revisited if either of these provincial policies change.

How should the Region, area municipalities and the development sector plan the staging and phasing of growth that supports the Region’s and area municipalities’ planning principles?

How should the Region, area municipalities and the development sector resolve development applications which are inconsistent with the Region’s Growth Plan?

Adopt a growth-focused, risk-based financing strategy
Under the new approach, the Region of Peel is considering a number of financial strategies that may be used in combination to better manage the apportionment of financial risk inherent in the development process. In addition to apportioning risk, this financing strategy would recognize that regional financing policies can be used to support the Growth Plan and Regional planning objectives, such as incenting greater density.

With respect to apportioning financial risk, the strategy would calibrate the appropriate financial tool to the level of risk a certain investment represents to the Region.

Currently, when decisions are made by area municipalities that deviate from the Regional land budget assumptions and servicing master plan, the Region tries to adjust its planning and servicing schedule to accommodate these unanticipated changes. It is also the Region that assumes the financial risk associated with these decisions over which it has no control.

These situations are more common now that area municipalities like Mississauga, and to a lesser extent Brampton, are moving towards more intensified growth, away from more predictable greenfield development. By its very nature, infill is more random and difficult to predict in terms of its timing or even its density.

For example, an area municipality may have received a draft site plan for a condominium with 8,000 units. It notifies the Region that that the regional water and wastewater servicing that was anticipated to be needed in 2029 is now needed within the next two years. However, if the developer then decides not to build right away, the condominium may not materialize for another 10-15 years.

A new financing strategy calibrated to the level of risk of specific development would need to be transparent and defendable. A consistent evaluative methodology would be needed to assess risk, using clear criteria. It would be critical that the review, the deliberations, and the outcome of the process be transparent to all.

Financial options and strategies were the subject of a Growth Management workshop in 2014. Out of these discussions and in further deliberations with municipal staff, the following proposed criteria could serve as a guide for a risk-based financing strategy for growth. (Peel Region, 2014).
1. Where growth projections do not appear to be bearing out on the ground, restructure or phase in servicing allocation through the capital planning process;
2. For most residential developments, advance all hard service collections to the earliest time in the development process, from building permit issuance to subdivision approval;
3. Where the risk is low that development will not occur as anticipated, or where the rate of development is sufficient to fund development payments, the Region should continue to rely on DC revenue for moderate to low risk development.
4. Where the risk is high that development will not occur, where capital plans need to be advanced, or where rate of development is deemed insufficient to fund development payments, consider sharing the financial risk through negotiated agreements, such as credit agreements, prepayment agreements, service emplacement agreements, accelerated payment agreements, front ending agreements particularly for major growth projects. Use of such agreements must be done within the authority of the Development Charges Act, as stipulated in the recently passed Smart Growth for our Communities Act (Bill 73).
5. Where servicing was not anticipated in the ROPA, developer cost sharing agreements could be considered, whereby a group of landowners collectively agree to fund/construct necessary infrastructure.

In terms of financing strategies to support the Region’s growth objectives, some effort has already been made to determine the principles behind the Region’s growth objectives.

In June 2013, Regional and area municipality CAOs adopted a principled approach to land allocation discussions that may be applied to the financing strategy described above. These principles included:

i. the protection of agricultural lands
ii. support for ‘growth pays for growth’ concept, minimizing the impact on existing taxpayers;
iii. an efficient utilization of existing and planned Regional infrastructure
iv. densities that support transit and complete communities
v. planning for a range of employment over the long term to adjust to market cycles
Another approach to such a financing strategy could be to focus servicing in areas identified in the Region’s OP. For example, when evaluating servicing that was not anticipated in the ROPA, the Region could give priority to

- servicing along major corridors, consistent with the Growth Plan;
- servicing that uses existing servicing most efficiently;
- servicing that supports connections to employment nodes in the Region;
- servicing that supports strategic employment lands.

The Province has mandated consideration of another financing strategy, the use of area-rated DCs. As directed by the *Smart Growth for our Communities Act* (Bill 73), the Region will need to consider area-specific DCs, which locally aligns costs and benefits as part of the DC by-law update.

**How do we leverage financing tools to support the Region’s and area municipal growth planning objectives?**

**Given the changing nature of employment, how do we determine the strategic employment lands that should be protected?**

### 4. Conclusion

The accumulation of $1.3 billion in growth-related debt over five years was a wake-up call for the Region of Peel to seek ways to reduce its financial liability associated with servicing growth and its dependency on debt to cover the costs of growth.

As a result, the Region of Peel would like to work with area municipalities and the development sector to develop a new approach to planning, servicing and financing for growth as it enters into its planning cycle for its Regional Official Plan Amendment to conform with the 2041 Growth Plan forecasts.
To create a virtuous cycle in the planning, servicing and financing of growth, four reinforcing factors must form part of the new approach:

i. The Region needs to reduce the growth cost-revenue gap.

ii. The Region needs to integrate financing and servicing considerations into planning decisions early in the process.

iii. Together with area municipalities and the development sector, the Region needs to be more agile in its approach to the changes and uncertainty that accompany growth and development.

iv. The Region needs to adopt a growth-focused, risk-based financing strategy.

Details of this new approach are currently under development and will be presented to Peel Regional Council’s Growth Management Committee at its meeting in March 2016. Over the next 18 months, the new approach will be introduced into the Regional planning process, culminating in the presentation of the ROPA by 2018. This ROPA will reflect the new approach, including new policies that reflect the new approach, such as phasing and staging, and the financing of development.
Appendix A: Growth in Peel Region, Mississauga, Brampton and Caledon

Peel Region is in a state of transition. It is in the midst of an economic and employment transformation, as well as a spatial transformation, shifting from largely greenfield development to more intensified and more dense growth. Added to which, there are a number of provincial decisions pending regarding major transit and transportation projects. An understanding and appreciation of the uncertainty that these forces introduce into the growth outlook and objectives of the Region and area municipalities is an important starting point when considering a new approach to planning, servicing and financing growth.

A Region in Transition

The Region of Peel is Ontario’s second largest municipality, with a population of 1.4 million, spread over three area municipalities, Mississauga, Brampton and Caledon.

Provincial growth forecasts for Peel Region vary. The Growth Plan suggests Peel Region’s population will grow by 40% to 1.97 million people by 2041, while the number of employed residents in Peel is expected to grow by 35% to 970,000. More recent Ontario Ministry of Finance forecasts anticipate population to grow to 2.11 million, 11% higher than Growth Plan forecasts. The Region, however, is obliged to plan, service and finance in anticipation of the Growth Plan numbers.

The economy of Peel Region and the GTA as a whole has been in transition over the last 10-15 years, particularly since the 2008 recession. This has resulted in a fundamental change to the employment profile of the Region, most notably with a loss in manufacturing jobs, and the growth of warehousing and logistics. These changes have direct implications for planning, servicing and financing growth.

Peel Region has seen a 30% decline in manufacturing jobs since 2001. Between 2006-2011 alone, 19,000 manufacturing jobs were lost in Peel. (Hemson, 2014) Those manufacturing firms that have remained have increased automation to reduce costs, thus reducing their employment density.
At the same time, there has been rapid growth in warehousing and logistics in the Region. Accessible transportation networks combined with its location on the western edge of the GTA has made Peel Region the premier logistics and warehousing centre of Canada. Over the last ten years, approximately 2,000 warehousing firms have set up shop in the Region. This has affected the average employment density as measured in square metres or feet floor space per worker (FSW). Whereas office jobs occupy 10-20 square metres per employee, and the industrial average in Peel Region is 1 per 112 square metres, warehousing jobs employment density can be as low as 1 employee per 190 square metres (Hemson, 2014; King, 2014).

Above and beyond the changes in the sectoral mix of jobs is the increase in the number of jobs with no spatial reference, which are not captured in employment development charge calculations, but nevertheless have servicing implications. The number of ‘at home workers’ is on the rise as the internet allows for ‘telecommuting’. At the same time, there has been an increase in mobile workers, such as construction workers and truckers who occupy no office space. In fact, the GTHA has seen a 27% increase as a percentage of total growth in employment identified as being at ‘no usual place of work’. In Peel Region, this is largely related to warehousing and logistics, a sector where 22% of jobs fall in the ‘no usual place of work’ category. (Hemson, 2014) Finally, there has been a decline in retail jobs as a result of the rise in ‘point and click’ e-shopping. Each of these trends is expected to continue.

This rapidly changing employment profile has made Peel Region’s employment forecasts, and by association, employment development charge forecasts, particularly challenging.

These continuing changes in the employment profile of Peel Region are germane to the discussion of servicing growth, in terms of its shifting spatial development, employment and housing density, the location of residents in relation to their employment, and ultimately, anticipated revenue from development charges.
Growth in Area Municipalities

Each of the three area municipalities in Peel Region, Brampton, Caledon, and Mississauga, are undergoing transformations in their own right. In addition to the fluid employment profile described above, greater intensification in built out areas in Mississauga, encouraging density in areas that are not yet built-out in Brampton, and increasing service capacity to areas further north in Caledon, each present their unique set of opportunities and risks. These unique circumstances affect the servicing each will need from the Region from now through to 2041.

Growth in Brampton

Brampton is Ontario’s fourth largest city, with a population of 601,900, and a population density just shy of 2,000 per square km. (Peel Region, 2015B).

Brampton’s development remains predominantly residential, which historically has been in the form of lower density suburban development. However, a number of developments are opening up opportunities to create a more densely developed, vibrant downtown core. For example, anticipated transit developments will enhance the downtown area as a mobility hub. These include higher order transit such as bus rapid transit, and enhancements to GO frequency. Brampton’s plans to attract a university with a downtown campus could also bring greater density and housing diversity.

Achieving higher density outside of the immediate downtown core remains a challenge given the availability of land for lower density housing and the lack of demand for such housing to date. Nevertheless, Brampton has seen some increases in density in its greenfield development.

A major growth challenge for Brampton is in attracting employment to achieve its desired employment rate. It is currently home to 190,000 jobs, primarily in advanced manufacturing, retail administration and logistics, information and communications technology, food and beverage, life sciences, and business services. It has attracted headquarters of major corporations including Loblaws Corp., Maple Lodge Farms, and HBC Zellers among others.

Brampton’s efforts to attract more employment are in part dependent on its ability to protect employment lands. Brampton faces significant pressure from developers to
convert protected employment lands to residential. Currently, thirteen applicants are proposing conversions. These pressures, felt across the GTHA, are as a result of a prolonged period of low interest rates, which make residential development particularly profitable, in contrast to the high carrying costs of employment lands until they are developed.

These pressures underline the importance of reinforcing the protection of employment lands. (see box, below)

There are a number of uncertainties on the horizon associated with provincial decisions that will affect the pace, location, and nature of development in Brampton:

- There is ambiguity with respect to pending provincial decisions on major transit and transportation infrastructure, including the GTA West Corridor and a new GO Station in north-west Brampton that is currently on the Metrolinx shortlist.
- The Metrolinx LRT route was not adopted by Brampton Council in 2015. A study has been initiated for an LRT on Queen Street, although the timing and approval of the project remain uncertain.

A 10-year freeze on urban development to provide for the protection and potential use of shale resources in north-west Brampton expires at the end of 2016. A provincial decision on whether to extend the freeze is expected following a study. Each of these uncertainties must be factored into longer term planning and servicing decisions at both the local and regional level.

In summary, Brampton has good opportunities to introduce new more dense residential development in some of its secondary plans, but continues to find it a challenge to attract employment at the density expected under the Growth Plan. There are a number of local, regional and provincial decisions, as well as market conditions that will affect Brampton’s ability to meet its growth objectives, which introduce risk and uncertainty that must be factored into local and regional planning and servicing decisions.

**Growth in Caledon**

Caledon has a population of 67,200, which is forecasted to increase to 113,000 people and 49,000 jobs by 2031. (Peel Region, 2015B; Watson, 2013)
Caledon is a rural municipality characterized by areas that have been designated off limits to development by provincial plans, including the lands in the Oak Ridges Moraine and the Greenbelt. Its development is being guided by a Trinodal Strategy, which is meant to direct the majority of new development towards three areas, Mayfield West, Bolton, and Caledon East, with much of the development over the next 5 years focused on Caledon East. (Watson, 2013).

As Caledon is the northern most area municipality in Peel Region, and water and wastewater treatment is located to the south, on the shores of Lake Ontario, Caledon requires more pumping of water and wastewater, which adds to costs of servicing new development.

Some unknowns looking into the future include the fate of the GTA West Corridor. It was anticipated that this highway, once built, would attract employment development. However, as of December 2015, the Province has halted its environmental assessment. It is as yet unclear when or if the project will proceed, throwing assumptions about development along this corridor into question.

Growth in Mississauga
The population of Mississauga is 759,600 (Peel Region, 2015b). It is near full build-out and is now focused on intensification and greater density. As it reorients its development from a more suburban form to an urbanized form, the legacy of larger residential lots and separated employment centres continues to pose a challenge to planning for more dense, mixed use growth.

Mississauga’s growth is being guided by its Growth Management Strategy, which identifies priority areas for greater density in its downtown core, 2 other major nodes, 10 community nodes, around transit hubs, and along corridors. Chief among these are the Hurontario Corridor and the Dundas St. East corridor, where greater density and connectivity with employment centres is being planned through transit projects. These include an LRT that is already committed along Hurontario, discussions of higher order transit along Dundas west, creating a link extending from Meadowvale to the Kipling subway, and a possible Milton line to Metrolinx’ Regional Express Rail. Timing and funding of these three transit projects will have significant implications for development in the years to come.
Notwithstanding the identification of these planned intensification areas, it remains difficult for Mississauga to predict whether the market will align with its plans. That is due to the changing nature of development in Mississauga, from greenfield to intensification. Greenfield development and revenues are predictable, both in form and in timing.

This is not the case for intensified growth, where properties may stay idle for many years, then suddenly change hands and be proposed for development very quickly at higher densities than had been forecasted. The more random stop and go nature of intensified developments makes predicting location, densities and revenues very challenging. Mississauga and the Region continue to learn to adapt to this new reality.

Mississauga has also found the promotion of mixed-use nodes a challenge, with most applications focused on residential development. This makes achieving the desired balance of employment and people even in the downtown area difficult.

Due to the more suburban evolution of development in Mississauga, employment has concentrated in four well-established corporate employment centres, Sheridan, Meadowvale, Gateway and Airport Corporate Centre. The area encircling Pearson airport is one of three employment megazones in the Greater Golden Horseshoe, with the second largest concentration of employment in Canada, containing over 300,000 jobs. (Blais, 2015) These employment centres continue to experience good office growth, it continues the legacy of spatial separation of employment from residential areas. Transit networks that connect people to these employment centres are vital to reduce car dependency.

To attract greater employment development, particularly of the mixed use variety in the downtown area, Mississauga is exploring the use of financing incentives such as tax increment equivalent grants, DC refunds, and waiving of fees. As a large share of DCs and property taxes are regional, if the City proceeds with these incentives, it may seek request that the Region provide the same or similar financing incentives for its share of taxes, DCs and fees.

In summary, Mississauga continues its transition from suburban to more dense, mixed-use urban form. The less predictable nature of the location and timing of intensified development, employment centres that are separate from residential areas, pending transit projects, and the legacy of a suburban form being transformed development by...
development present challenges to both the Region and Mississauga. This underlines the importance of identifying growth risks and opportunities early in the Regional planning process.

**Protection of strategic employment lands**

Given its importance as a transportation hub for the Region and the country as a whole, protection of strategic employment lands is critical. However, the historically long period of low interest rates that make residential development relatively more profitable in the short term than industrial or commercial development, has put extreme conversion pressure on designated employment lands. For example, strategic employment lands in Caledon and North East Brampton for goods movement purposes are under pressure and need to be protected. This draws into question whether the Region, in consultation with area municipalities and the development sector, should consider a more proactive role in the protection of strategic employment lands. The Regions of Waterloo and Niagara have taken on such a role.
Appendix II - The New Approach to Planning, Servicing and Financing Growth in the Region of Peel

References


New Approach to Planning, Servicing and Financing Growth

Growth Management Committee Meeting
March 3, 2016

Stephen VanOfwegen, Commissioner of Finance & CFO
Nicola Crawhall, Westbrook Public Affairs
Managing Risks to Peel’s Growth Plan

• 2041 population and employment forecasts
• P2G legislation - intensification vs. greenfield
• Generational water and wastewater infrastructure investments
  – Debt financing $1.3 billion
• Higher costs associated with growth
  – Distance to the lake
  – Legislation and regulations
Managing Risks to Peel’s Growth Plan

• Key risks:
  – Changing nature of employment
  – Lower levels of employment (P2G forecasts)
  – Impact of intensification (location/timing)

• Costs, benefits and risks associated with growth need to be shared
Improving Sustainability of the Growth Plan - Progress to Date

• Employment trends
• Costs, Benefits and Risks Study
• 2015 DC By-law
  – Adjusted for timing of employment
  – Adjusted assumptions e.g. densities, post period, benefit to existing
  – Shared risk - Collection at subdivision agreement
• Bill 73 – clarity on financing options
A New Approach – Phase II

• Council has directed staff to take a different approach to collaboration

• A different approach where the Region collaborates with the Area Municipalities and development community
Objectives of the New Approach

- To manage and share financial risk with area municipalities and the development industry;
- To contain growth-related debt levels;
- To optimize regional infrastructure; and
- To provide a means by which the Region can proactively apply its growth management principles.
Elements of the New Approach

1) Measures to reduce growth cost-revenue gap.
2) Integration of finance and servicing considerations earlier in planning decisions.
3) Greater agility in responding to changes, uncertainty related to growth and development.
4) Adoption of a growth-focused, risk-based financing strategy.
Key Questions

How should the Region, in collaboration with area municipalities and the development sector:

1. Integrate consideration of planning, financing and servicing throughout the planning process?

2. Plan the staging and phasing of growth that supports the Region’s and area municipalities’ planning principles?

3. Resolve development applications which are inconsistent with the Region’s Growth Plan?

4. Leverage financing tools to support the Region’s and area municipal growth planning objectives?
New Approach to Planning, Servicing & Financing Growth: Milestones & Collaboration

Growth Management Committee Meeting
March 3, 2016
Principles for Allocating Growth

• Efficient utilization of existing and planned Regional infrastructure
• Support “growth pays for growth” to minimize financial impacts to residents and businesses
• Protection of environmental and agricultural resources
• Densities that support transit, affordable housing and complete communities
• Planning for a range of employment over the long term to adjust to market cycles
Historical Approach Milestones

2015  
- Q1: P2G Growth Forecasts
- Q2: Land Budget & Draft ROPA
- Q3: Base Master Plans
- Q4: ROPA – Council Adoption

2016  
- Q1: Base Updated Capital Plans
- Q2: Start DC Background Study

2017  
- Q1: DC By-Law Update
- Q2:
Iterative Approach Milestones

Collaborative Discussions on Growth Scenarios
Region, Area Municipalities & Development Industry

Growth Forecasts – P2G population & employment

Base Master Plans

Q1

Q2

Q3

Q4

2015

2016
Land Budget & Draft ROPA

Financing Strategies

Updated Master Plans

Updated Capital Plans

ROPAs - Council Adoption

Collaborative Discussions on Growth Scenarios
Region, Area Municipalities & Development Industry

Start DC Background Study

DC By-Law Update

Ongoing Collaborative Discussions
An Illustration of the Collaborative Approach to Integrate Planning, Servicing & Financing
An Illustration of the Collaborative Approach to Integrate Planning, Servicing & Financing
Possible Growth Scenarios for Consideration

- Higher intensification and less greenfield
- Phasing and staging of growth
- Not achieving the P2G job targets
- Development applications inconsistent with Master Servicing Plans
DATE: February 19, 2016

REPORT TITLE: BILL 73 AND ONTARIO REGULATION 428/15 – CHANGES TO THE DEVELOPMENT CHARGES ACT

FROM: Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To provide members of the Growth Management Committee with an update on Bill 73, the “Smart Growth for Our Communities Act, 2015”, that focuses on the changes to the Development Charges Act (DCA).

REPORT HIGHLIGHTS

- On December 3, 2015, the Province of Ontario passed Bill 73 that amended the Development Charges Act (DCS) and the Planning Act. Moreover, a new Ontario regulation 428/15, relating to the changes to the DCA was released on December 18, 2015.
- The passing of Bill 73 is very timely and relevant to the preparation of the next Development Charges (DC) background study and DC by-law update.
- The 10 per cent deduction from the growth-related costs for transit service (Transhelp) has now been removed.
- Ineligible waste management services were defined as “provision of landfill sites and services”, and “facilities and services for the incineration of waste”. This means that other waste management services such as recycling and composting are now eligible for DC funding.
- It is now required for municipalities to consider the application of area rates when updating DC by-laws. This will be considered for the next DC by-law update by the Region of Peel and can be done through the lens of supporting intensification objectives.
- There will be a small increase in the amount of growth costs eligible to be included in the Region’s DC program (under 1 per cent), but this may be countered to a degree by the reduced ability to negotiate voluntary payments in the future.
- The changes need to be reviewed with the development community and area municipalities as part of engagement prior to the next DC by-law update.
- With the amendments to the DCA, there will be increased complexity and a longer process in the preparation of future DC background studies and DC by-law updates.
DISCUSSION

1. Background

On December 3, 2015, the Province of Ontario passed Bill 73, the *Smart Growth for Our Communities Act, 2015*, that amended the *Development Charges Act, 1997* and the *Planning Act*. Moreover, a new Ontario regulation 428/15, relating to the changes to the DCA was released on December 18, 2015. The Province’s objectives for this amendment are to give the residents a greater voice in how their communities will grow and at the same time provide the municipalities a somewhat expanded scope to fund the services.

Prior to this, in January of 2014 the Region of Peel made a submission to the Provincial Development Charges Review that was underway at the time. The Region proposed three changes to the DCA as follows:

- Completely eliminate the list of ineligible services,
- Completely eliminate the 10 per cent service discount on all soft services, and
- Replace all 10 year historical service level restrictions with more flexible forward looking service level projections.

The changes to the Act have partially met these proposed objectives. The next section of this information report will outline the changes to the DCA and a review of its impact to the Region of Peel’s development charges framework and operation.

2. Highlights of Key Changes

The key changes to the DCA impacting the Region are as follows:

- Allowing municipalities to use development charges for waste diversion such as recycling;
- Increasing the amount of capital costs that municipalities can fund from development charges for transit services;
- Mandating that consideration be given to potentially area rating for selected services as a part of DC by-law updates in the future;
- Requiring municipalities to follow reporting requirements that include details on how funds from development charges are spent;
- Requiring municipalities to better integrate development charges with their long-term planning by including an asset management plan in the DC background study;
- Requiring development charges to be payable at the time of the issuance of the first building permit so that developers could be certain of the cost;
- Empowering the Minister of Municipal Affairs and Housing to investigate municipalities to ensure full compliance is in place with the new legislation in the area of voluntary payments.
3. Details of Key Changes

This section is a discussion of the details of the key changes and preliminary assessment of its impact on the Region of Peel’s development charges framework, processes, methodologies and policies. These changes will need to be reviewed with the development community and the area municipalities to have a better understanding of its implication and to be fully compliant with the new legislation. The passing of Bill 73 is very timely and relevant for the upcoming preparation of the next DC background study and update of the DC by-law.

3.1 Ineligible Services

The list of ineligible services for financing through Development Charges was moved from the DCA to Ontario regulation 428/15. This way, the Province can easily make adjustments to amend ineligibility of services in the future. Most of the services considered ineligible (cultural facilities, administrative headquarters, hospitals) have remained ineligible with the exception of waste management services.

The definition of waste management services to be excluded from DC rates was refined to the provision of landfill sites and services, and facilities and services for the incineration of waste. This means that DC funding for alternative waste management (collection and disposal) methods including recycling, composting, and reusing will now be permitted. The Region of Peel has to establish service level and calculation methodology for such in the next DC background study.

This change will allow the Region to fund from DC’s a portion of the capital projects related to (i) waste collection and, (ii) organic and recycling facilities and equipment. The total capital plan for waste management over the next 10-year is $264 million. Analysis will be required to determine what portion of that amount can be attributed to growth and recovered from DC’s, but it is anticipated to be approximately $30-40 million over the existing planning horizon.

3.2 Transit services

Transit service is now added to the list of services without a 10 per cent reduction of capital costs required in determining development charges. This change allows for a greater recovery of transit capital costs. Transhelp is the only transit service for the Region of Peel. The amount presently collected for DCs for transit service is relatively small, amounting to only $4 per single family dwelling. In the 2015 DC background study, the 10 per cent mandatory reduction resulted in a DC shortfall of $68 thousand from 2015-2031.

Transit service is a prescribed service and as such it can now be based on a planned level of service rather than the 10-year historical level of service. In addition, transit service is a “discrete service” in which it can’t be combined with other services in determining the planned level of service. The estimated planned level of transit service can only include service that is intended to benefit anticipated development within the 10-year period immediately following the preparation of the background study. No portion of the transit service that is anticipated to exist as excess capacity at the end of the 10-year period may be included in the estimated planned level of service.
The calculation process required has now become more complex and prescriptive. Regional staff has to determine Transhelp’s ridership capacity and update ridership forecasts in the upcoming DC background study. The increased DC revenue potential for the Region is relatively small.

3.3 Area Rating

Under the new DCA, area-specific DC rates are required to be considered but are not currently mandatory. This new requirement will entail additional time, effort and cost to the DC background study. It will also require additional dialogue with the development community and area municipalities. Area rating is most applicable to water, wastewater and stormwater services. Regulations may be made to require municipal councils to use separate DC by-laws only with respect to certain prescribed services and areas or to use different DC by-laws for different parts of the municipality.

Area rating can be an effective tool to support the Region of Peel’s planning objectives, specifically land use intensification and optimizing the use of capital infrastructure. The Region currently uses a uniform DC rate across the region with some limited exceptions for police services in the Town of Caledon.

3.4 DC Collection on Multiple Building Permits

If a building requires more than one building permit, the development charges are to be collected upon the issuance of the first building permit. But for development that consists of two or more phases that will not be constructed concurrently and are anticipated to be completed in different years, development charges are to be collected at each phase. This is intended to primarily impact multi-residential development.

Based on existing practices this should not impact future DC collections for the Region of Peel.

3.5 Development Charges Background Study Requirements

The DC background study must be made available to the public 60 days before the by-law is passed and until the by-law expires or is repealed. This new requirement will make the circulation period longer by over a month. The existing requirement to have the DC background study and proposed by-law available 2 weeks prior to the public meeting is still in effect as well.

The requirements for DC background study are expanded to include (i) consideration of the use of multiple development charge by-laws to reflect different needs for services in different areas, and (ii) an asset management plan. As mentioned previously, area-rating only needs to be considered, but it is not mandatory.

The asset management plan shall (i) deal with all assets whose capital costs are proposed to be funded under the DC by-law, (ii) demonstrate that all assets are financially sustainable over their full life cycle, (iii) contain any other information that is prescribed, and (iv) be in a prescribed manner. It is expected that this requirement will align with the Asset Management Guidelines established by the Province. Peel's asset management program is
at an advanced stage relative to most other Ontario municipalities and the move to comply with this new requirement should not be as intensive as others will experience.

All of these new background study requirements will be achievable, but will require time and resources to comply with, lengthening the time required to prepare for the next DC by-law update.

3.6 DC Treasurer Statement

The report requirements for the Treasurer Statement have been expanded to include additional details on the use and sources of the funds. The report must include all assets whose capital costs were funded by development charges during the year, and the manner in which the remainder of the capital costs of projects are to be financed, or have been financed. The council shall ensure that the statement is made available to the public. The requirement for the submission of the statement to the Minister of Municipal Affairs and Housing has been removed from the DCA (unless requested by the Minister).

Peel’s existing DC Treasurer Statement already reflects most of the information required and is posted to the Region of Peel’s website.

3.7 No Additional Levies – Voluntary Payments

There is a new restriction in the DCA that prohibits municipalities from imposing, directly or indirectly, additional charges to construct a service related to development that is not authorized under the DCA. These charges are often referred to as voluntary payments. Any agreements the Region of Peel already has in place will not be impacted by this new restriction. It will however limit the Region when considering future development agreements that intend to shift risk to developers that make requirements for contributions not specified in existing provincial legislation.

This could have negative impacts on future attempts to require voluntary contributions for items such as land for affordable housing or Habitat for Humanity.

3.8 Power of investigation

The Minister of Municipal Affairs and Housing may, at any time, investigate whether a municipality has complied with the Development Charges Act in the area of voluntary payments. Related to DCs, the Minister has the authority to inquire into any or all of the municipality’s affairs, financial and others. The powers granted to the Minister are extensive. The cost of the investigation shall be borne partly or fully by the municipality.

4. Proposed Direction

The passing of Bill 73 is timely and relevant to the preparation of the next DC background study and DC by-law update. These changes need to be reviewed with the development community and area municipalities. The impact of these changes on DC methodologies, processes and policies need to be examined to be fully compliant with the new legislation.
CONCLUSION

The Province has made these changes in the DCA to try to make the DC system more predictable, transparent and accountable, and to encourage innovative ways to plan and address local needs raised by municipalities and community groups. However, incorporating the changes will entail increased complexity and longer preparation times for future DC background study and DC by-law updates. The Region of Peel will likely see some increase (less than 1 per cent) in potential future DC rates due to changes on cost eligibility for its waste management and Transhelp operations. This may be offset to a degree by the loss of the ability to negotiate voluntary payments in the future.

Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

Approved for Submission:

D. Szwarc, Chief Administrative Officer

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

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Bill 73 Impacts on Development Charges Act for the Region of Peel

Growth Management Committee

March 3rd, 2016
Provincial Review of Development Charges (DCs)

- Province began review of DC Act in 2013
- Region submitted comments in January 2014
- Draft legislation (Bill 73) introduced in March 2015
Bill 73 Review and Status

- Peel gave input to working groups in 2015
- Bill passed on December 3, 2015 with very limited changes
- Enabling regulations published December 18th, 2015
- Changes to DC Act are now in effect
Transit Services (TransHelp)

- 10% mandatory rate reduction eliminated
- Historic 10 year service level restriction replaced with 10 year forward forecast

**Impact on Region**
- Transit services, $68K impact on Region
- To use planned service level projections a 10 year ridership forecast must be developed
- Very prescriptive calculation requirements will mean added analysis for the Region
Waste Management Services

- Waste management was completely ineligible
- Now only landfill and incineration services are ineligible for DC

**Impact on Region**

- Very preliminary estimate of additional DC revenue potential for the Region is $30-$40M over planning horizon
- Region will need to develop historic service level inventory and other information to support future DC charges
Area Rating Consideration

- Area rating is not mandated but it must be considered as part of DC background study.
- Area rating can be used to support intensification and the efficient use of infrastructure.

### Impact on Region

- The Region will need to develop principles and parameters to apply for consideration of area rating prior to next by-law update.
- Area rates will not increase overall DC revenue potential.
Collection Timing – Multiple Permits

- For high-rise construction multiple permits can be issued
- DC Act now states the DC’s are payable at time of first building permit

**Impact on Region**
- Area municipal’s existing collection practices on behalf of the Region are consistent with new requirement so there should be no impact on future collections
No Additional Levies or Voluntary Contributions

DC Act now states that municipalities may not impose a charge, or require construction of a service, on a development unless expressly allowed by legislation.

Impact on Region

- Any arrangements that have already been concluded will not be impacted
- This will restrict the Region’s future ability to negotiate arrangements with developers (e.g. request for land donations for Habitat for Humanity)
Annual Treasurers Statement

- More prescriptive requirements for reporting
- New requirement for Treasurer to certify that no additional levies are being imposed
- Requirement to file the report with the Province has been eliminated

**Impact on Region**
- Limited impact on the Region as the existing report to Council covers most of the prescribed new requirements already
Asset Management

- New requirement in the DC Act to prepare an asset management plan to cover all assets included in DC background study
- Must show financial sustainability over life cycle
- Detail on exactly what else is required is not provided with exception of Transit services

**Impact on Region**
- Region’s asset management plan will need to be reviewed to ensure compliance including new servicing master plans to 2041
DC By-law Notice

Requirements and Timing

Background study must now be available at least 60 days prior to by-law passing.

Impact on Region

- This would lengthen process by over a month from current requirements
- All new requirements from Bill 73 are now in effect and would need to be dealt with prior to any DC by-law update. This delays the Region’s ability to do quick amendments to the DC by-law.
Summary of Bill 73 Impacts

- Limited increase in DC revenue potential (waste management & TransHelp services)
- Decrease in non-DC revenue potential due to additional levy restrictions (voluntary agreements)
- New notice, reporting and analytical requirements will increase the time, complexity and cost of future DC by-law updates