The Regional Municipality of Halton

Report To:	Regional Chair and Members of Regional Council
From:	Matthew Buist, Director of Capital and Development Financing, Jim Harnum, Deputy CAO and Commissioner of Public Works and Bob Gray, Acting Commissioner of Legislative and Planning Services and Corporate Counsel
Date:	November 20, 2019
Report No. - Re:	FN-46-19/PW-50-19/LPS112-19 – 2020 Allocation Program Options

RECOMMENDATION

1. THAT Regional Council approve Allocation Program Option #1 of up to 19,329 Single Detached Equivalents (SDEs) as outlined in Report No. FN-46-19/PW-50-19/LPS112-19 re: “2020 Allocation Program Options”.

2. THAT Regional Council approve the Development Financing Plan as outlined in Report No. FN-46-19/PW-50-19/LPS112-19.

3. THAT from the 2020 Allocation Program, up to 8,716 SDEs be allocated to the Town of Milton, 7,118 SDEs be allocated to the Town of Oakville, 3,000 SDEs be allocated to the Town of Halton Hills, and 495 SDEs be allocated to the City of Burlington as outlined in Report No. FN-46-19/PW-50-19/LPS112-19.

4. THAT the Director of Planning Services & Chief Planning Official be authorized to approve distribution of the allocation of SDEs to landowners, subject to conditions including local municipal approval as outlined in Report No. FN-46-19/PW-50-19/LPS112-19.

5. THAT the Chief Administrative Officer be authorized to negotiate and finalize Allocation Agreements in support of the 2020 Allocation Program with terms and conditions consistent with Report No. FN-46-19/PW-50-19/LPS112-19 and acceptable to the Commissioner of Legislative and Planning Services & Corporate Counsel and the Commissioner of Finance and Regional Treasurer.

6. THAT Regional Council approve the additional implementation measures recommending that the Region retain an additional 3,000 SDEs as a pool to be used by the Region as outlined in Report No. FN-46-19/PW-50-19/LPS112-19.

7. THAT the Regional Chair and the Regional Clerk be authorized to execute the 2020 Allocation Agreements, and any and all related agreements and documents

that may be required, for the 2020 Allocation Program upon passage of a by-law for that purpose.

8. THAT staff be directed to report back on the final allocated amounts for the 2020 Allocation Program by the 2nd quarter of 2020 as discussed in Report No. FN-46-19/PW-50-19/LPS112-19.

9. THAT staff be directed to create an Allocation Implementation Team to support the advancement of units in the 2020 Allocation Program as outlined in Report No. FN-46-19/PW-50-19/LPS112-19.

10. THAT staff recruit contract staff funded 100% from capital projects to support the Allocation Program as outlined in Report No. FN-46-19/PW-50-19/LPS112-19 and with no net impact to the Regional budget.

11. THAT Report No. FN-46-19/PW-50-19/LPS112-19 be forwarded to the City of Burlington, the Town of Halton Hills, the Town of Milton, the Town of Oakville, Conservation Halton, Credit Valley Conservation, Halton District Public School Board, Halton Catholic District School Board, the Ministry of Municipal Affairs and Housing and the Halton MPPs.

REPORT

Executive Summary

- At its meeting on July 10, 2019, Regional Council passed a motion that directed staff to bring a report forward in November 2019 that outlines options for an allocation program including the necessary financing plan for implementation of each option.

- In order to gauge the interest of the development community and inform development options, staff issued a request for expressions of interest to participate in the 2020 Allocation Program.

- This report presents two options, specifically Option 1 for a full program representing 6 years of BPE growth and Option 2 representing 3 years of BPE growth.

- Option 1 includes:

    - Is a range of 18,230 SDEs to 19,329 SDEs based on 6-years of BPEs.
    - $1.5 billion of growth-related infrastructure comprised of $858.5 million in residential responsibility provided by participating landowners and $630.3 million in Regional responsibility including subsidies.

- Option 2 includes:

    - 8,702 SDEs based on 3-years of BPE growth.
    - $733.4 million is growth-related infrastructure comprised of $415.6 million in residential responsibility provided by participating landowners and $317.8 million in Regional responsibility including subsidies.

- The recommended 2020 Allocation Program is based on the 2012 Allocation Program terms and conditions with modifications required for current financial needs including early payment of water, wastewater, roads and general services development charges (DCs).

- Staff are recommending Option 1 due to Halton Hills servicing constraints, the fact that there will be no DC collection risks, that expression of interest results demonstrated adequate interest as well as eliminating DC collection uncertainties created by Bill 108.

- In addition to Option 1, staff have recommended the retention of an additional 3,000 SDEs as part of a public interest pool to be used by the Region for:

    - Circumstances where the advancement of a particular development would address public interests and where there is a clear and demonstrable community benefit.
    - Purpose built affordable rental housing.

- To ensure this program responds to challenges and opportunities associated with new growth, other matters have been considered such as other community interests, the creation of an allocation implementation team, and resourcing to address development application volumes.

- The options set out in this report protect the Region's tax and rate payers from impacts related to financing growth-related infrastructure and protect the Region's strong financial position based on Regional Council objectives.

Background

Halton's long standing principle that an acceptable financing plan needs to be approved by Council prior to greenfield growth proceeding through the release of an allocation program is rooted in Halton's history of financing growth-related infrastructure over the past 30 years.

This approach to financing growth-related infrastructure differs from the Regions of Peel, York and Durham as those Regions received Provincial funding in the 1970s and early 1980s to finance such infrastructure. When it was time to proceed with large scale growth in Oakville in the mid 1980s in Halton there were no similar provincial funding programs available to fund Halton's growth-related water and wastewater infrastructure.

Accordingly, this established Halton's principle that an acceptable financing plan needed to be approved by Council prior to growth proceeding to protect the Region's tax and rate payers from impacts related to financing growth-related infrastructure.

The Regional Official Plan requires that new growth within the Designated Greenfield Area only advance once a financing plan for infrastructure has been approved by Regional Council. The Allocation Program is a unique financing and growth management tool used by Halton Region to ensure that the development industry is contributing its share of the cost of infrastructure and services required to support growth.

Consistent with its long-standing practice, Allocation Programs address infrastructure required to support growth for a determined period and geography, in accordance with the approved Best Planning Estimates. As part of Report No. LPS106-15 re: "2012 Allocation Program Update and Proposed Framework for the 2018 Allocation Program" in November 2015, Regional Council was provided the framework for the next Allocation Program that envisioned the release of up to 15,780 SDEs, reflecting the BPEs for the years 2017 through 2022.

The development of the SDEs subscribed through the 2012 Allocation Program has experienced delays as units in the 2012 program have not advanced to registration and these delays have impacted the timing of the next Allocation Program as referenced in Report No. FN-34-17/LPS84-17/PW-44-17 re: "Allocation Program Update". Since the report in December 2017 additional concerns have been identified such as barriers to advance school site development, an application for a judicial review by Georgetown landowners related to the Trafalgar Road Municipal Class Environmental Assessment Study in Halton Hills and uncertainty related to the impacts of Bill 108 (*More Homes, More Choice Act, 2019*). As discussed in Report No. FN-31-19 (Re: Bill 108 – Growth Related Financing) and FN-32-19 (Re: Bill 108 – Growth Related Financing Update on Proposed Regulations) changes within Bill 108 have significant financial challenges including removal of some general services from the DCA to a new amended Community Benefits Charges section in the *Planning Act*, timing of DC collection and timing of determination of DC rate. The extent of the impacts is still unknown as the associated regulations have not yet been prescribed. Attachment #1 provides a more detailed description of the challenges experienced within the 2012 Allocation Program as well as their status and other considerations for the 2020 Allocation Program.

As of August 2019, 5,853 out of a total of 14,454 SDEs subscribed to in the 2012 Allocation Program have not proceeded through the planning stages. These units have not paid roads DCs as these DCs are collected at subdivision or building permit unlike water and wastewater DCs which are payable as an early payment under the terms of the 2012 Allocation Agreements. Due to this timing difference, the residential roads DC reserve at the end of 2018 was negative $51.6 million. However, this reserve will have a positive balance once the remainder of the development from the 2012 program proceeds.

To remove barriers in advancing an allocation program, staff have been working with the development community and local municipalities to develop an approach that would allow for the advancement of growth in the greenfield areas. Further, at its meeting on July 10, 2019, Regional Council passed a motion that directed staff to bring a report forward in November 2019 that outlines options for an allocation program including the necessary financing plan for implementation of each option.

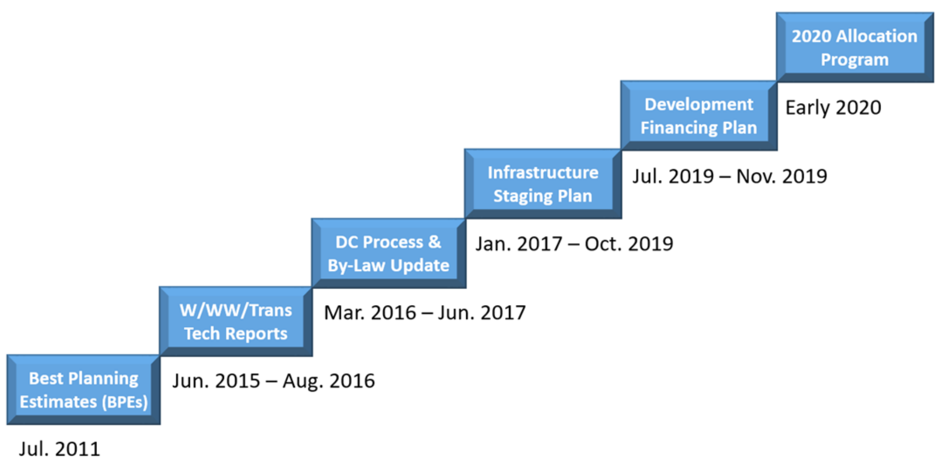
Discussion

The Allocation Program Process

As noted above, the Allocation Program is a unique financing and growth management tool utilized by the Region and is undertaken to fulfil the next phase of greenfield residential development. The Program implements the Regional Official Plan by ensuring the following:

- Ensures the release of growth in the Designated Greenfield Area is generally consistent with the BPEs;
- Ensures that the delivery of infrastructure is aligned with growth; and
- Ensures that the delivery of infrastructure is financially sustainable.

As depicted below, the Allocation Program Framework is comprised of a detailed, multi-step process.



The foundation for growth is set out in Provincial Planning Policies. Under the *Planning Act*, municipal Official Plans must conform with the policies contained in a Provincial Plan and must be consistent with the policies contained in the Provincial Policy Statement. In implementing the Regional Official Plan, the 2011 approved BPEs provide population, household and employment projections to 2031 consistent with projections set out by the Province.

The BPEs are used to develop the Infrastructure Master Plans, which identify the water, wastewater and transportation infrastructure that is required to service the planned, long term growth.

The infrastructure identified in the Master Plans are then incorporated into the DC Background Study to determine the cost to develop in Halton. The DC process results in the enactment of a DC By-Law.

Based on developer interest and planned growth in the areas within the Allocation Program, the growth-related infrastructure is refined to support the development and an infrastructure staging plan is developed. The infrastructure staging plan identifies the cost of growth for the next Allocation Program.

Through the financial planning process, the Region identifies any funding challenges in financing infrastructure needed for development and takes necessary measures to address the funding challenge. The financing plan addresses both residential developer responsibility, as well as Regional investments, and is undertaken to ensure the envisioned growth can be financed. A Council approved Development Financing Plan is required before an Allocation Program may proceed.

Based on Regional Council's objective to protect the Region's tax and rate payers from impacts related to financing growth-related infrastructure and to protect the Region's strong financial position, the 2020 Development Financing Plan has been prepared based on the following principles:

- "Growth pays for growth" to the extent possible under the *Development Charges Act, 1997* (DCA);
- Residential and non-residential growth identified in the BPE must be aligned to realistic growth projections;
- Infrastructure requirements must align to growth areas;
- Residential financing requirements must be solely supported from the allocation program;
- The repayment assumptions for Regional interim financing will assume a conservative "slow growth" scenario to ensure that economic conditions do not create unexpected impacts to the Region;
- Halton's strong financial position and financial planning principles will not be compromised;
- The development financing plan will not impact the current or subsequent years forecasted tax and rate increases; and
- The development financing plan will not require the Region to exceed its own debt capacity levels.

These principles will help ensure continued residential and non-residential growth following the launch of the 2020 Allocation Program, while eliminating risk to the Region's existing tax/rate payers.

Program Size in relation to the Best Planning Estimates

The next Allocation Program was originally anticipated to proceed in 2018 and contemplated the release of up to 15,780 SDEs in a 6-year program. The distribution of the 15,780 SDEs was provided in Report No. LPS106-15 as shown below:

MUNICIPALITY	NUMBER OF SDEs (Includes Low, Medium and High Density SDEs)
Town of Halton Hills	Up to 632
Town of Milton	Up to 10,480
Town of Oakville	Up to 4, 668
Total	Up to 15,780

Since the 2015 Report, there have been factors that have contributed to refinement of the original program size. For example, in 2017 during the DC By-Law update process, servicing demand on persons per unit was examined and it was determined that an adjustment in the conversion factors used to calculate SDEs was required. This results in a 6-year program based on the BPEs requiring 16,485 SDEs rather than 15,780 SDEs as originally profiled in the 2015 Report.

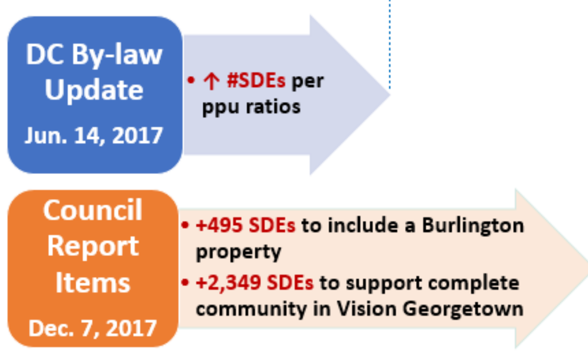
As outlined in Report No. FN-34-17/LPS84-17/PW-44-17 and through discussion with local municipal partners, there were two other adjustments that were deemed to be responsive to local needs and objectives, while generally maintaining alignment with the BPEs, namely:

- A greenfield development in Burlington that requires new trunk infrastructure expressed an interest in proceeding through the program. This would result in approximately 495 SDEs potentially being allocated in the City of Burlington.
- The quantity of units to be released in the Town of Halton Hills (632 SDEs) for Vision Georgetown was deemed insufficient to support the development of key community infrastructure and achieve a complete community. Further, a larger quantity of units would aid in improving operational aspects of the new water and wastewater infrastructure. Hence, 3,000 SDEs has been identified as an appropriate allocation to address the development of complete communities for the Vision Georgetown lands, which represents over four years of growth in accordance with the BPEs.

The figure below, provides a visual of the adjustments described above.

Initial #SDEs per Report No. LPS106-15
(Nov. 4, 2015)

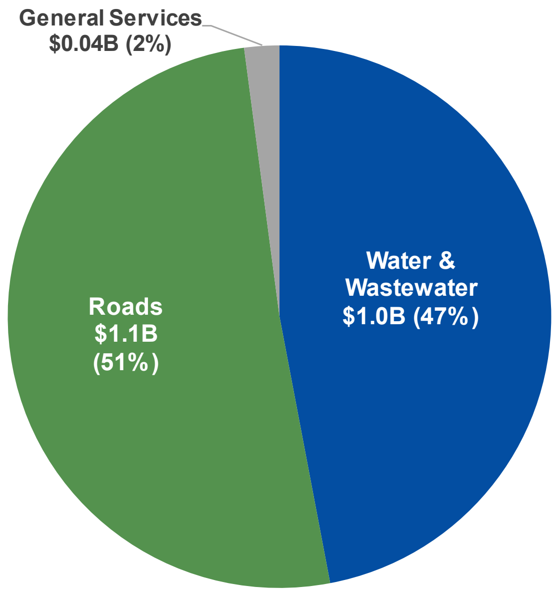
	#SDEs	#SDEs	#SDEs
Burlington	0	0	495
Halton Hills	632	651	3,000
Milton	10,480	10,997	10,997
Oakville	4,668	4,837	4,837
	15,780	16,485	19,329



Lastly, consistent with long-standing practice, the size of the program must also be responsive to the demand or interest expressed by the development community. In this regard, adjustments to the control totals between municipalities may be necessary where demand does not align to the projections. This is discussed in further detail below as part of Option 1.

Capital Financing

In order to support development to 2022, which includes capital budgets between 2018 and 2022, $2.1 billion of financing requirements has been forecasted for water, wastewater, roads infrastructure and the growth-related collection of general services DCs.

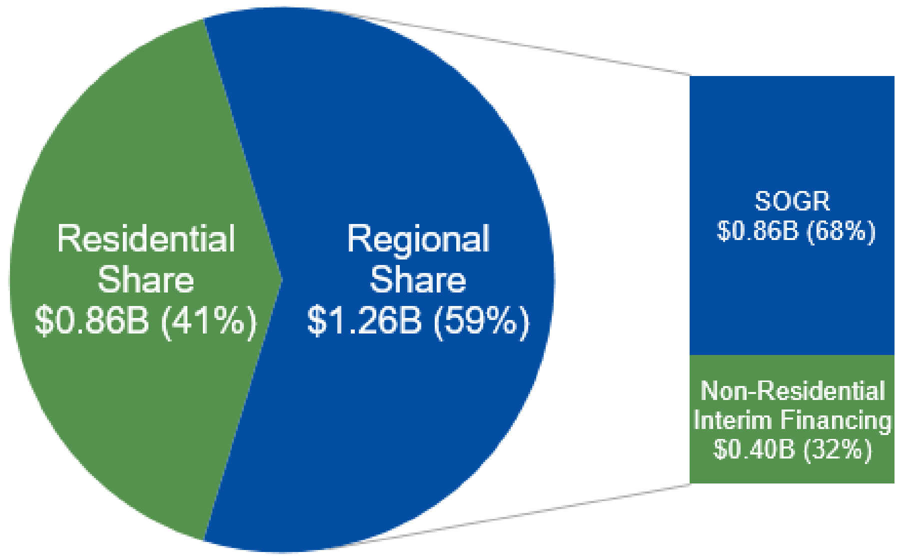


Of the $2.1 billion, roads accounts for $1.1 billion (51%), water and wastewater for $1.0 billion (47%) and the growth portion of general services for $0.04 billion (2%).

As shown below, the financing required between 2018 and 2022 will be supported from both residential developers and the Region.

	Growth Related				Non-Growth State of Good Repair			
	W/WW	Roads	GS	Subtotal	W/WW	Roads	Subtotal	Total
Residential:	**$ 333,438**	**$ 481,070**	**$ 44,033**	**$ 858,541**	**$ -**	**$ -**	**$ -**	**$ 858,541**
Region:								
Non-Residential	124,704	270,498	-	395,202	-	-	-	395,202
Non-Growth	30,417	151,551	-	181,968	504,466	118,920	623,386	805,354
Subsidy	-	53,139	-	53,139	-	-	-	53,139
Subtotal	**$ 155,121**	**$ 475,187**	**$ -**	**$ 630,309**	**$ 504,466**	**$ 118,920**	**$ 623,386**	**$ 1,253,695**
Total	**$ 488,559**	**$ 956,258**	**$ 44,033**	**$ 1,488,849**	**$ 504,466**	**$ 118,920**	**$ 623,386**	**$ 2,112,235**

Note: Includes commitments (credits, debt, oversizing). Excludes Non-res Investment payback.



Based on DC requirements, the residential share of financing between 2018 and 2022 is $858.5 million. Halton has a long standing principle that “growth pays for growth” to the extent possible and greenfield development is approved through financing plans and Allocation Programs. Due to financing challenges experienced in the 2012 Allocation Program for Roads DCs and the uncertainty of legislative changes imposed through Bill 108, the 2020 Allocation Program includes the early collection of water, wastewater, roads and general services DCs. The Allocation Agreements will specify the terms and conditions of the payments to ensure financing is available to the Region for infrastructure requirements.

Of the $2.1 billion required, the Region is responsible for $1.3 billion, of which $395.2 million is required to support non-residential financing and $858.5 million which includes subsidies, is to finance growth and non-growth state-of-good-repair (SOGR) requirements ($805.4 million net of subsidies).

The $395.2 million is the interim financing related to the non-residential share of costs. The Region has historically provided interim financing in recognition of the fact that the timing of the infrastructure is being driven by the residential developers and is delivered well in advance of non-residential requirements. To ensure that this interim financing does not impact tax or water/wastewater rates, the Region uses internal borrowing for these requirements. The investment revolving fund reserve (the revolving fund) is used for the water and wastewater program and the Tax Capital Reserve for the roads program. Ultimately, these Regional reserves will be fully reimbursed including interest from the collection of DCs, as non-residential development proceeds in the future. The financing is a strategic investment for the Region as the infrastructure is required to support economic growth in the Region. This is in addition to the current committed outstanding Regional investment for interim financing of $361.8 million ($240.0 million for water and wastewater and $121.8 million for roads) as of the end of 2018. Based on the financing requirements up to 2022, both the revolving fund and tax capital reserves have the capacity to address the additional non-residential needs, however, recovery of this additional investment based on a slow growth recovery scenario is not expected until after 2031, as demonstrated in Attachment #2 and as noted in FN-39-17 re: "Halton's Investment in Employment Lands".

Maintaining Regional assets and infrastructure in a state-of-good-repair, which equates to an investment of $805.4 million, is a key priority for Halton Region. The Region updates the Corporate Asset Management Plan on a regular basis to ensure assets continue to be in good condition and meet desired levels of service based on a sustainable financial plan. The financing of all of the state-of-good-repair projects will need to be prioritized together as part of budget review to ensure the impact on the rates is within budget guidelines. The non-growth costs and financing will be addressed annually in the budget process.

Consultation and Expression of Interest Results

In order to design an allocation program that is feasible and implementable, an important part of the allocation process is to gauge the interest of the development community. In September and October of this year, staff issued 2 separate calls for expressions of interest to participate in the 2020 Allocation Program. The expression of interest profiled different payment scenarios, each ensuring that financing is secured to allow the Region to proceed with the construction of significant infrastructure.

Based on the results of the expressions of interest, it is clear there is considerable demand for participation in an allocation program. The results of the most recent expression of interest indicates that there is demand for the release of upwards of 25,000 SDEs in key growth areas in all four municipalities. A summary of the latest expression of interest is provided in Attachment #3.

In tandem with the call for expressions of interest, staff have also engaged the development community in a series of meetings over the past 6 months. These meetings included larger group sessions with the developers and with the Halton Developers Liaison Committee to share information on possible program options and parameters. This also included several smaller group and individual discussions with developers that helped inform elements of the program design.

Options for the 2020 Allocation Program

In responding to Regional Council's direction for staff to provide information on options for an Allocation Program it is important to highlight how different options can respond to some of the challenges and opportunities that have been observed in implementing the 2012 Allocation Program. The following key considerations were used as a basis for developing the program options:

- Secondary Plans for post-2021 growth areas (Vision Georgetown and Milton Phase 4) are not yet approved by the Region and could potentially be appealed. This creates uncertainty that units will be taken up within the prescribed timeframe. This issue is discussed in more detail in Attachment #1;
- Participating landowners in the 2012 Allocation Program require additional SDEs through the 2020 Allocation Program to complete unfinished development and to create viable and complete communities;
- There are developers in the 2012 Allocation Program that cannot proceed as they require infrastructure to be built through property owned by landowners not participating in the 2012 Allocation Program;
- Some developments, particularly high density developments, required to complete communities cannot proceed until the 2020 Allocation Program is available;
- Several approved new school sites require servicing and access from adjacent landowners participating in the 2020 Allocation Program;
- Growth-related infrastructure projects identified in the 2018 and 2019 budgets can not proceed until funding from the 2020 Allocation Program is available and therefore the timing of Regional infrastructure will be delayed; and
- Growth planned for the local municipalities is delayed which may impact local capital programs.

Based on the status of land use planning approvals, discussion with the local municipalities, and expressions of interest submitted by the developers, the Region has identified the options below for consideration. It is anticipated that these will help address some of the implications noted above. Any release of allocation will be prioritized based on development readiness in consultation with the local municipalities.

The following two options are addressed below:

- Option 1 – Full Program representing 6 years of BPEs
- Option 2 – Program representing 3 years of BPEs

Option 1 – Full Program (6-year)

Option 1 represents a ‘full program’ that would accommodate new greenfield growth for the years 2017 through 2022. It would involve the release of up to 19,329 SDEs. Although the expression of interest results indicated demand of upwards of 25,000 SDEs (Attachment #3), the BPEs have been proven to be a sound projection of growth in the Region and forms the basis for the water, wastewater and transportation master planning to 2031. As noted earlier it has been a long-standing practice that the size of the program is responsive to the demand or interest expressed by the development community. As such, adjustments to the control totals have been made but are still in line with overall Regional growth objectives. The following table describes how the estimates of 19,329 has been adjusted by municipality based on expression of interest results.

	#SDEs	Option 1 - Full Program #SDEs	Option 1 - Full Program #SDEs
Burlington	495	495	495
Halton Hills	3,000	3,000	3,000
Milton	10,997	7,617	8,716
Oakville	4,837	7,118	7,118
	19,329	18,230	19,329

Due to the potential shortfall in Milton based on the expression of interest results (Attachment #3), the financing of this program is based on the minimum requirement of 18,230 SDEs. However, if more interest at initial subscription is realized in Milton then the program will allow for further uptake ranging from 7,617 SDEs to 8,716 SDEs. Oakville will be allocated 7,118 SDEs representing the 2031 population projections in the BPEs. As identified in Attachment #4, Option #1 will allocate to North Oakville East and West Secondary Plans, Tremaine Dundas Secondary Plan, Sherwood Survey Secondary Plan North and South, Bristol Survey Secondary Plan, Boyne Secondary Plan, MP4 – Trafalgar Secondary Plan and Vision Georgetown Secondary Plan.

The full program is depicted in Attachment #5 infrastructure maps and includes lake based water and wastewater infrastructure to Halton Hills (Georgetown) which, once complete, will enable the Town to free up groundwater based servicing capacity for intensification in Georgetown. Further the 6-year plan will result in the construction of transportation infrastructure such as widening of Britannia Road (Regional Road 25 to Highway 407), Trafalgar Road (Dundas Street to Hwy 407 and Steeles to Hwy 7), William Halton Parkway, Dundas Street (Bronte Road to Hamilton/Halton Boundary) and the Wyecroft Road extension including bridge. The full list of growth-related capital projects between 2018 and 2022 is identified in Attachment #6.

As identified above the total 6-year program is $2.1 billion, of which $1.5 billion is growth-related and is comprised of $858.5 million in residential responsibility and $630.3 million in regional responsibility including subsidies.

Based on the residential share of growth-related expenditures, below are the financing requirements based on a subscription of 18,230 SDEs and DC revenue received outside of the 2020 Allocation Program for anticipated intensification.

Residential Expenditures		
Water/Wastewater	$	(333,438)
Roads		(481,070)
General Services		(44,033)
Total Residential Expenditures	$	(858,541)
Residential Revenues		
Water/Wastewater	$	377,495
Roads		437,107
General Services		44,033
Balance		(94)
Total Residential Revenue	$	858,541

Although the DC revenue based on the 18,230 SDEs does not match the residential expenditure by program (e.g. water/wastewater will collect $44.7 million additional revenue compared to the expenditures ($377.5 million vs $333.4 million)), overall DC collection is sufficient to support the cost. This program could result in a negative balance in the Roads DC Reserve but will be offset by a positive balance in the water/wastewater DC Reserves until road DCs are collected in the 2012 Allocation Program.

As noted earlier, due to the planning issues within the 2012 allocation program 5,853 SDEs have not collected roads DCs which has had financial impacts to the Roads DC reserves. Further, Bill 108 has created financial uncertainties for General Services DC collections. For the 2020 Allocation Program, it is therefore recommended that an early payment of water, wastewater, roads and general services DC be required. The early collection will help to support the infrastructure, address uncertainties surrounding Bill 108 and to ensure that there is not a shortfall in DC collections. Early collection of DCs will be allocated for water/wastewater and roads as needed based on tender timing up to the maximum DCs allowable for that program.

Report No. FN-34-17/LPS84-17/PW-44-17 provided preliminary financial information for the intended Allocation Program. With a subscription of 15,780 SDEs a front-end component was required. Based on the increase to 18,230 SDEs a front-ending payment is no longer required.

The current DC per SDE to be provided by greenfield residential developers includes the following:

		Per SDE under Allocation Agreement*
General Services	$	2,278.07
Roads		18,266.06
Water/Wastewater		17,964.00
	$	**38,508.13**

* Go Transit DC, Recovery Charge DC and Front-ending recovery will be collected based on regular collection timing (i.e. Subdivision/ Building Permit)
* Based on Agreement Execution prior to April 1, 2020

Option 2 – 3-year Release

Option 2 represents a smaller program that would accommodate new greenfield growth up to 2020. It would involve the release of 8,702 SDEs in accordance with the approved BPEs. This option will allow allocation to North Oakville East and West Secondary Plans, Tremaine Dundas Secondary Plan, Sherwood Survey Secondary Plan North and South, Bristol Survey Secondary Plan, Boyne Secondary Plan. Option 2, however, does not accommodate growth beyond 2021 and therefore Vision Georgetown and Milton Phase 4 growth areas would not be included. This option is consistent with the Region's practice to not allocate to lands that do not have a Secondary Plan approved by the Region. A map identifying the eligible areas for Option 2 is included as Attachment #7.

This option does not advance portions of design or construction of key lake based water and wastewater infrastructure critical to Halton Hills (Vision Georgetown). This would not allow the Town of Halton Hills to achieve its greenfield growth as anticipated by the Regional Official Plan and the BPEs. Further, Option 2 would not address existing servicing constraints in Georgetown as lake based infrastructure is required to free-up groundwater capacity to support intensification in Georgetown.

As depicted in Attachment #8 infrastructure maps, the 3-year program includes only the construction of transportation infrastructure such as widening of Britannia Road (Regional Road 25 to Highway 407), William Halton Parkway, portions of Dundas Street (Bronte Rd. to Appleby) and the Wyecroft Road extension including bridge. However, it does not include Trafalgar Road (Dundas Street to Hwy 407 and Steeles to Hwy 7), and sections of Dundas Street (Appleby Line to Hamilton/Halton Boundary). The full list of growth-related capital projects in the 3-year program is identified in Attachment #9.

As noted in Attachment #9, the 3-year plan for growth-related capital projects is $733.4 million and is comprised of $415.6 million in residential responsibility and $317.8 million in Regional responsibility.

Based on the residential share of growth-related expenditures, below are the financing requirements based on a subscription of 8,702 SDEs and DC revenue received outside of the 2020 Allocation Program for anticipated intensification.

Residential Expenditures		
Water/Wastewater	$	(151,272)
Roads		(244,495)
General Services		(19,824)
Total Residential Expenditures	$	(415,590)
Residential Revenues		
Water/Wastewater	$	181,710
Roads		214,115
General Services		19,824
Balance		(58)
Total Residential Revenue	$	415,590

Based on the projects required to support 3 years of planned growth no front-end financing is required. Similar to Option 1, early payment of DCs will be required.

Option Review

In reviewing the two options, consideration was given to land use planning approvals, financial impacts, discussion with local municipalities, expressions of interest, infrastructure requirements and school development. Below is a review of the two growth options presented above.

Option 1	Option 2
✓ Provides financing for all projects planned to 2022 ✓ Revenue for the General Services for 18,230 SDEs is collected prior to the changes related to Bill 108 ✓ Will provide lake based servicing to Halton Hills and free up capacity for intensification ✓ Delivers infrastructure that would support potential GO Train Station on Trafalgar Rd. ✓ Unlocks properties for school advancement • Allocation for MP4 Trafalgar would occur prior to Secondary Plan Approval • Potential Secondary Plan Appeals in MP4 Trafalgar, Vision Georgetown and Evergreen • Uncertainty with respect to the impacts of the Judicial review on Trafalgar Rd.	• Financing for construction projects planned pre 2021 • Revenue for the General Services for 8,702 SDEs is collected prior to the changes related to Bill 108 • Lake based servicing to Halton Hills will be delayed and intensification will be constrained • Doesn't deliver infrastructure that would support potential GO Train Station on Trafalgar Rd. ✓ Unlocks properties for school advancement with the exception of Halton Hills ✓ Allocation for MP4 Trafalgar would not occur until secondary plan approval ✓ Allocation only provided to approved secondary plan areas ✓ Certainty with respect to the impacts of the Judicial Review on Trafalgar Rd

After considerable consultation and review of the opportunities and risks associated with each option, staff recommend proceeding with Option 1 which has been supported by local municipal CAOs. This option is preferred due to the advantages to providing Halton Hills with lake-based servicing, the fact that there will be no DC collection risks to the Region (i.e. early payment of DCs) as well as eliminating uncertainties of DC collections under Bill 108. Further, through the expression of interest there was considerable demand to proceed with a full program as SDEs were identified in all secondary plan areas under consideration.

Agreement Terms and Conditions

As a part of a release of allocation, each participating landowner will be required to enter into an agreement with the Region. The terms and conditions for the 2020 Allocation Program are based on the 2012 Allocation Agreements with modifications for current financial needs including certainty for the Region in collecting DCs for the current Allocation Program period and other Regional requirements. It is therefore recommended that the terms of the agreement will include, but not be limited to, the following:

- Provide for the early payment of water, wastewater and roads DCs in installments over 4 years upon execution of the agreement. Low/medium density installments will begin in year 1 whereas high density installments will begin in year 2;
- Provide for an early payment of the general services DCs which will be required immediately upon execution of the agreement;
- Provide some flexibility to convert from high density to low/medium density SDEs subject to the approval of the Chief Planning Official and on the basis that there is no financial impact;
- At execution of agreement, secure a letter of credit for the full amount of early payment of DCs that will be reduced as installments are paid;
- Provide for the recovery of the early payments by credits against the water, wastewater, roads and general services component of the DC;
- Reserve and allocate water and wastewater capacity to the lands owned by the participating landowners entering into the agreement;
- Provide for minor adjustments of SDEs through top-up and/or reconciliation provisions;
- Provide for the reservation of SDEs for three years with extension acceptable to Chief Planning Official;
- At a minimum, forty percent (40%) of the lots in the draft plan of subdivision must have received allocation in order to receive draft plan approval;
- Developers are encouraged to allocate to all high density blocks contained within draft plans of subdivision as part of the Program, however these high density blocks can be created with minimal allocation provided that local planning tools and instruments are in place to ensure development cannot proceed without allocation;
- Provisions to allow development of high density blocks in a phased manner – with reliance on local planning tools and instruments to ensure that only the portion of development with allocation can proceed. This phased approach would allow for the advancement of planning and infrastructure review to be undertaken for the entire block;
- Provision to permit the transfer of SDEs, subject to approval by the Chief Planning Official and local municipalities, as long as the SDEs remaining on the lands are not less than forty percent (40%) of the SDEs originally reserved or forty percent (40%) of the total development where draft approval has been granted;

- Require land dedications to be made to the Region by the owner to accommodate key Regional infrastructure projects within 45 calendar days of request;
- Prevent the sale of dwelling units until water/wastewater (treatment, distribution and collection capacity) are available or expected to be available for those units within 12 months;
- Include provisions to limit the Region's exposure to risk if the Allocation Agreement is challenged in court or before an administrative tribunal; and
- Include protection to minimize the Region's exposure to delay in infrastructure delivery to the allocation areas should infrastructure delivery be challenged before a court or administrative tribunal.

For purpose built rental units (which does not include condominium developments), and special care/special need development, the financial terms have been adjusted to help encourage the development of rental properties, space for seniors and other special care needs. As presented in October 2019, the 2018 State of Housing Report depicts the fact that families move back and forth across a housing continuum depending on changes that affect their personal circumstances. In line with recent Provincial focus, these developments will help to address the shortfall in some segments of the continuum. To encourage this type of development, the terms above shall apply with the exception of the following terms (all other terms will remain the same):

- Provide for the payment of water, wastewater and roads DCs at building permit (in accordance with Section 26 of the DCA);
- DCs for general services (if applicable) will still be required at execution of an Allocation Agreement;
- Letters of Credit will not be required. In the event of default, the Region will assume responsibility of costs until the SDEs are re-allocated; and
- Transfers will not be allowed from purpose built rental or special care/special needs to other development types in the Allocation Program.

Implementation and Considerations

Through Report No. FN-46-19/PW-50-19/LPS112-19 staff is seeking Regional Council approval to proceed with the recommended release of allocation identified in Option 1 and its implementation.

In the 2012 Allocation Program 700 SDEs were retained by the Region for high density development. This high density pool in the 2012 Allocation Program was taken up several years ago. High density development has gained considerable momentum and based on the expression of interest requests does not require the same incentive as the 2012 Allocation Program. However, based on discussion and consultation, it is recommended that the Region retain an additional pool of 3,000 SDEs to be used as described below:

- 1,500 SDES for circumstances that are unforeseen that respond to challenges within an Allocation Program. These include items such as unlocking school sites as there may be development parcels that need to advance to registration to unlock and service new schools. Given that Option 1 is a 6-year program, there could be issues that arise during the course of the program that cannot wait for a subsequent program. This public interest pool of 1,500 SDEs provides the necessary flexibility to ensure that the Allocation Program is enabling the development of schools and other important community infrastructure and facilities. Allocations from this pool will be at the discretion of the Chief Planning Official in consultation with the local municipalities and school boards. For these units, an Allocation Agreement will be entered into prior to the earlier of subdivision or site plan/building permit approval. DCs for general services (if applicable) will be required at execution. The remaining DCs (under agreement) will be required to make a payment that catches up with the installments that other developers have paid under the low/medium or high density stream.

- 1,500 SDEs to support Purpose Built Affordable Rental Housing: The Region has an interest in supporting the development of new purpose built rental units that achieve affordability targets. This is supported by the Comprehensive Housing Strategy (Report No. SS-19-19/LPS86-19) endorsed by Regional Council in October 2019. As a part of this allocation program, it is recommended that if a purpose built rental development can demonstrate specific affordability targets then it will be dealt with through this dedicated Allocation Program pool with the following provisions:

    - Deferral of DC payments over 20 annual payments starting at building permit.
    - At least 25% of the development or 10 units, whichever is greater, must be operated at or below the affordable rent threshold as defined in the Region's annual State of Housing report.
    - The Allocation Agreement between the Applicant and the Region will include an Affordability Schedule with provisions to ensure the affordability requirements will be met for a minimum of 20 years.
    - The Affordability Schedule will include an optional arrangement for provision of Regional capital assistance for some Affordable Units to further reduce the rent and make the units available for assisted housing purposes.
    - An Allocation Agreement must be entered into prior to site plan approval

  For development proposals that include an optional arrangement for Regional or senior-level government assistance, Council will have an opportunity to review and approve the arrangement prior to allocation being granted. Staff will monitor the progress of the uptake of this pool and report back if there are any implications that need to be addressed in order to streamline implementation.

In order to ensure that this program responds to challenges and opportunities associated with new growth, there are additional implementation measures staff are recommending:

Other community interests: There are key community development priorities that may require allocation to support companion residential development. For example, efforts are ongoing to advance a new post-secondary institution in the Milton Education Village. As part of the development of the Milton Education Village there may be a need to have allocation available to support accompanying residential development. The same applies to efforts to build a new GO Station on the Milton line at Trafalgar Road. This Allocation Program does not address these examples. The approach being proposed by staff is to support these efforts on a case by case basis as these proposals move forward.

Allocation Implementation Team: In implementing the 2020 Allocation Program, there may be a range of issues that arise that require deliberate effort or intervention among the partners in order to effectively address some of the issues. For example, there may be coordination issues related to schools, the advancement of infrastructure and or potential barriers in advancing environmental and planning approvals. Through the 2020 Allocation Program it is important that there is a forum for resolving or unblocking barriers for advancing units through to registration. It is proposed an Allocation Implementation Team be formed and include senior staff from the Region, local municipalities, conservation authorities and where necessary the school boards together with representatives from the participating owners. The Team would address matters that cannot duly be resolved through normal staff interaction and require escalation. This model was piloted during the later stages of the 2012 Allocation Program on a handful of specific coordination matters with success.

Resourcing development review and approvals: As demonstrated in the expression of interest, there is considerable demand for allocation to advance development proposals across the Region. In particular, there are several major proposals in the greenfield areas of Milton and North Oakville that are anticipated to advance shortly following the launch of the 2020 Allocation Program. This may ultimately generate a surge of land use planning and development applications that will put significant pressure on Regional, local and conservation authority resources. The development industry has expressed a concern with overall staff capacity to undertake development review. In order to effectively address the surge that is anticipated, staff are proposing to hire contract staff, recovered 100% from capital, on a temporary basis as the need exists to allow sufficient resourcing in fulfilling regulatory responsibilities for an expedited review.

Next Steps

Upon the endorsement of the Development Financing Plan, the next steps include:

- Region and local municipalities to confirm any outstanding information resulting from the Expressions of Interests;
- Local municipalities will follow-up with interested developers to determine and approve local distribution of Allocation;
- Execution of agreements by landowners with security and first payment; and
- Update report to Council by the 2nd quarter of 2020 on results of the Program.

Until the launch of the 2020 Allocation Program, Planning Services will experience significant pressure to advance development proposals where a lack of allocation is one of the only considerations prohibiting an application from moving forward to approval. In response to this pressure, it is prudent that staff be permitted to review development applications as a means to potentially offset the surge of applications in 2020.

Accordingly, it is suggested that staff only proceed with its review if all of the following conditions are met:

1. The local municipality confirms its support for the development lands being included in the 2020 Program as part of determining local distribution of allocation;
2. The application is in conformity with the approved local secondary plan and local phasing policies; and
3. There are no external unresolved issues that would prohibit the application advancing to approval. For example, secondary plan must be approved, trunk/infrastructure is either planned or available.

This approach will enable the technical review of eligible development applications to proceed and preliminary comments be offered to the local municipality. This approach also maintains the Regional Official Plan policy approach that greenfield development shall only be approved once allocation has been secured.

FINANCIAL/PROGRAM IMPLICATIONS

As noted in this report, staff are recommending Option 1 to proceed based on a minimum subscription of 18,230 SDEs. The Financing Plan for this option has been prepared to ensure that there is no impact to the planned tax/rate payers levies as a result of the growth capital program.

As identified above the financing required for the full 6-year program is $2.1 billion, of which $1.5 billion is growth-related and is comprised of $858.5 million in residential responsibility and $630.3 million in Regional responsibility including subsidies.

The $858.5 million will be financed from the developers in accordance with the terms and conditions of the Allocation Agreement and from DC revenue received outside of the 2020 Allocation Program for anticipated intensification. The regional responsibility related to growth of $630.3 million is comprised of $395.2 million from non-residential interim financing, $182.0 million for non-growth and $53.1 million from subsidy.

The non-residential interim investment ($395.2 million) will be financed from the Tax Capital Reserve for roads ($270.5 million) and the Investment Revolving Fund for water and wastewater ($124.7 million). Ultimately, these Regional reserves will be fully reimbursed including interest from the collection of DCs, as non-residential development proceeds in the future

The non-growth ($182.0 million) will be financed from the Tax Capital Reserve for roads ($151.6 million) and the rate reserves for water and wastewater ($30.4 million).

Upon Council approval of the Financing Plan in this report and the 2020 Allocation Program, developers will be required to execute Financial/Allocation agreements and to provide all necessary securities prior to any capital infrastructure proceeding. If the minimum subscription is not met, then a subsequent report will be provided to Council to address the impacts.

Respectfully submitted,

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

Attachments: Attachment #1 - Status of the 2012 Allocation Program and Other Considerations for Advancing the 2020 Allocation Program
Attachment #2 - Outstanding Non-Residential Recovery
Attachment #3 - Expressions of Interest Results
Attachment #4 - Option #1: 6-year Allocation Program SDE Map
Attachment #5 - Option #1 Infrastructure Maps
Attachment #6 - Option #1 Capital Project List
Attachment #7 - Option #2: 3-year Allocation Program SDE Map
Attachment #8 - Option #2 Infrastructure Maps
Attachment #9 - Option #2 Capital Project List