Regional Municipality of Waterloo
Administration and Finance Committee
Public Input Meeting
Minutes

Wednesday, June 4, 2014
6:04 p.m.
Regional Council Chamber
150 Frederick Street, Kitchener, Ontario

Present were: Chair T. Galloway, L. Armstrong, J. Brewer, T. Cowan, D. Craig, R. Deutschmann, J. Haalboom, R. Kelterborn, G. Lorentz, C. Millar, K. Seiling, S. Strickland, J. Wideman and C. Zehr

Members Absent: B. Halloran and J. Mitchell

Declarations of Pecuniary Interest under “The Municipal Conflict Of Interest Act”
None declared.

Opening Remarks
Chair Tom Galloway provided opening remarks, noting that a subsequent staff report will be presented at the June 17, 2014 Committee meeting and at the Council meeting on June 25, 2014 for final approval. He stated that the meeting’s purpose is to receive input from the public on the proposed Regional Development Charges by-law and he advised that there wouldn’t be any decisions made at this meeting nor would there be any debate.

In response to Committee inquiries regarding the status of exemptions for non-profit organizations, such as Langs in Cambridge, T. Galloway stated that the steering committee will be meeting prior to the June 17th Committee meeting and this issue can be raised at that time.

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Staff Presentation

a) Calvin Barrett, Director, Financial Services/Development Financing, provided a presentation to the Committee; a copy is appended to the original minutes.

Highlights of his presentation included:

- an overview of the “Development Charges Act” and its impact on the Region’s Development Charges (RDC) by-law
- a summary of the Background Study process
- the RDC Study Development forecast
- a summary of the services for which RDCs are collected
- the development-related capital program summary
- adjusted maximum permissible residential and non-residential charges and the rates proposed for each
- the projection of reserve fund balances over the next ten (10) years
- debt projections to complete growth-related projects
- implementation options
- proposed rates for industrial development
- by-law policies proposed by the working group (including exemptions for brownfields, the downtown core; educational institutions; and, multi-residential amenity spaces)
- total municipal development charges comparison - residential rates, non-industrial rates, 100% industrial rates, and 50% industrial rates

C. Barrett stated that Regional staff and Councillors have met with stakeholders several times during the review period and made adjustments to the capital program with adjustments to the maximum permissible residential charges. He clarified that the Background Study calculates capital costs and revenues such that there will not be a deficit in the RDC Reserve Fund at the end of the ten-year projected forecast period. He noted that the options for implementing a new RDC by-law are to impose maximum rates, reduce rates by deferring projects or defer implementation of maximum RDC rates. He advised that the proposed rate for industrial development is similar to the rates for the City of Kitchener; the 50% exemption would serve as an incentive for industrial growth and the funding available in 2014 would be adequate for this proposal in 2015.

He indicated that the staff recommendation is to set the development charge rate at the adjusted maximum permissible rate which will provide maximum funding for capital projects, reduce the risk of property tax and user rate impacts and uphold the principle of growth paying for growth.

In closing, C. Barrett outlined the next steps and reiterated the upcoming meeting dates where the proposed RDC by-law will be an agenda item.
Delegations

a) Mary Ann Wasilka, Kitchener, addressed the Committee regarding her concerns that the proposed development charges by-law will lead to urban sprawl and automobile dependency. She also expressed concern for diminished farm land, subsidizing the high cost of development through low cost development, and that the high development charges will send industry and jobs outside of Canada.

b) Ian McNaughton, incoming Chair, Canada's Technology Triangle Inc. and Partner at MHBC Planning Ltd. expressed support of the incentive for industrial development as proposed. He referred to the agenda attachment from PWO Canada Inc. in support of manufacturing in the Region, noting that other employers in this Region are supportive of incentives for industrial expansion.

c) Ian Cook, member, Waterloo Region Home Builders’ Association (WRHBA), addressed the Committee, representing more than 200 member companies of the Association. A copy of his submission was distributed to Committee members and is appended to the minutes. He stated that the WRHBA is concerned with the magnitude of the 50% increase of the current RDC rate, an increase that he declared cannot be borne by the homebuilder.

He summarized the requests being made by the WRHBA, which include annual updates on projects and improved timelines for future RDC stakeholder consultation. In closing, he outlined the impact that the proposed RDC will have on affordable housing development and requested that the Region consider a 50% reduction of the proposed RDC increase.

In response to a Committee question about the organization’s access to RDC information, Doug Stewart, a member of the association, responded that members would like to see the annual report back to the ministry also be shared with the WRHBA, and more time for stakeholders to review the reports.

The Committee asked questions of the delegations regarding the inclusion of property taxes in the listing provided outlining the costs associated to a new home and recommendations for the RDC rate.

S. Strickland requested that staff include information in the next staff report about the capital budget used to develop the RDC and the actual costs. T. Galloway confirmed that the steering committee will come back with its recommendations for the June 17, 2014 Administration and Finance Committee meeting.

K. Seiling reminded the delegation that the Region didn’t impose the fees in 2009 due to the recession; the concession was approved by Regional Council at the request of local developers.

In response to a Committee member’s inquiry about economic development, T. Galloway stated that he’ll ask staff to raise the matter at the working group meeting.
noted that the RDC Reserve Fund balances are public information and that staff respond to public requests for information. Additionally, public requests for a project by project review can also be accommodated.

d) Art Sinclair, Vice-President, Public Policy and Advocacy, Greater Kitchener Waterloo Chamber of Commerce, stated that the Chamber supports the industrial expansion exemption. He referred to a recent Globe & Mail article where it was argued that infrastructure is vital to compete on a global level. It’s critical to maintain balance between attracting business and having the money to support the infrastructure. He requested that the Committee consider phasing in the 16% increase on non-residential development.

e) Paul Puopolo, Polocorp Inc. on behalf of Fusion Homes, King Street, Kitchener, gave a presentation to the Committee. He cited the King Street, Kitchener properties that he is concerned about. He summarized his request as noted in his written submission, which was distributed to Committee members and is appended to the original minutes. He requested an exemption in the expanded core area of the City of Kitchener until July 31, 2019.

He summarized the phases of his project and his concerns that the RDC is very different from what has been approved by the City of Kitchener. He stated that the impact of the proposed RDC will make his development project less viable and will cause marketing and economic hardships to occur. He noted that development could boost the East Side Lands and would support the Light Rail Transit (LRT). In closing, he summarized his recommendations to the Committee, as outlined in his written submission.

In response to Committee questions about the discrepancy between the Region’s proposed development charges and those approved by the City of Kitchener, T. Galloway indicated that this matter will be discussed by the steering committee.

f) Larry Kotseff, Vice President, Land Development, Fusion Homes, owner of the properties identified by Mr. Puopolo, stated that Fusion Homes requests that the area of planned development be added to the draft Regional development charges core area so that they can get the exemption. He indicated that the project is scheduled to be completed by 2020.

In response to a Committee question, L. Kotseff stated that the goal is to be able to compete with other development projects in the Kitchener downtown core and to dovetail with the LRT.

Craig Dyer, Chief Financial Officer stated that the multi-residential property tax rate doesn’t apply to condominiums.

In response to a Committee question about the prospective commitment from Fusion Homes should the Region allow the full exemption through to 2019, L. Kotseff stated that the company doesn’t typically sell what they buy and he outlined the reputation of Fusion Homes.
g) **Uwe Kretschmann**, Cambridge, shared his concerns about exemptions for the downtown core area; a copy of his written submission is appended to the original minutes. He urged the Committee not to provide exemptions nor subsidize industry.

T. Galloway clarified that the “Development Charges Act” does allow for discounting of development rates and that staff will respond to him with the relevant references.

T. Galloway called for any additional delegations from the audience.

h) **Graem Jackson** addressed the Committee representing homebuilders in the Region. He stated that he builds condominiums and townhomes and is finding that homeowners are having a difficult time paying for a home. He stated that he doesn’t believe that the proposed RDC will help this situation since interest rates are on the rise. He recommended that the proposed RDC be calculated with the current real estate market in mind.

T. Galloway gave closing remarks and provided timelines for future meetings, noting that the RDC by-law will be passed at the June 25, 2014 Council meeting.

**Information/Correspondence**

a) A written submission from **WeirFoulds, LLP** was distributed to the Committee members and received for information; a copy is appended to the original minutes.

**Next Meeting**

A staff report on the 2014 Development Charges Review will be presented to the Administration and Finance Committee meeting on June 17, 2014.

**Adjourn**

Moved by G. Lorentz

Seconded by L. Armstrong

That the meeting adjourn at 7:48 p.m.

Carried

**Committee Chair**, T. Galloway

**Committee Clerk**, S. Natolochny
Region of Waterloo
Development Charges 2014 By-law Review
Public Meeting

Wednesday, June 4th, 2014
Topics

1. Development Charges Act
2. DC background study process
3. Maximum permissible charges
What Are Development Charges?

• Charges imposed on development to fund “growth-related” capital costs

• As a municipality grows new infrastructure and facilities are required to maintain service levels

• Principle is “growth pays for growth”
Overview of the Development Charges Act (DCA)

• DCs are imposed by by-law

• Maximum life of a DC by-law is 5 years after the day it comes into force (Region’s expires on July 31, 2014)

• Prior to passing a by-law Region must:
  – undertake a background study
  – hold at least one public meeting
Background Study Process

Development Forecast

Calculate 10-Year Historical Service Levels

Identify Development-Related Capital Costs

- Grants/Other Contributions
- 10% Service Discount
- Replacement/Benefit to Existing
- Available DC Reserves
- Post-Period Benefit

Costs Eligible for DC Recovery

- Residential Sector (per unit by type)
- Non-Residential Sector (per ft\(^2\) of GFA)
RDC Study
Development Forecast

• 10 year planning period for all services

• Consistent with Region’s Official Plan and land budgeting

• Forecasts contain:
  – Population, household, and housing projections for Region and service area population forecasts
  – Projections of employment and non-residential space
<table>
<thead>
<tr>
<th>Service</th>
<th>Cost Recovery</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Library</td>
<td>90%</td>
<td>Townships</td>
</tr>
<tr>
<td>Waterloo Regional Police</td>
<td>100%</td>
<td>Region</td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Medical Services</td>
<td>90%</td>
<td>Region</td>
</tr>
<tr>
<td>Airport</td>
<td>90%</td>
<td>Region</td>
</tr>
<tr>
<td>Transit</td>
<td>90%</td>
<td>Cities</td>
</tr>
<tr>
<td>Operations &amp; Facilities</td>
<td>100%</td>
<td>Region</td>
</tr>
<tr>
<td>General Government</td>
<td>90%</td>
<td>Region</td>
</tr>
<tr>
<td>Transportation</td>
<td>100%</td>
<td>Region</td>
</tr>
<tr>
<td>Water</td>
<td>100%</td>
<td>Region</td>
</tr>
<tr>
<td>Wastewater</td>
<td>100%</td>
<td>Region</td>
</tr>
</tbody>
</table>
## RDC Study Development-Related Capital Program Summary (millions$)

<table>
<thead>
<tr>
<th>Service</th>
<th>Gross Cost</th>
<th>Benefit to Existing</th>
<th>Ineligible Costs 10%</th>
<th>Post-Period</th>
<th>2014-2023 RDC Funded</th>
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<tbody>
<tr>
<td>Regional Library</td>
<td>$1.3</td>
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<td>Emergency Medical Services</td>
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<td>$9.7</td>
<td>$2.7</td>
<td>$9.0</td>
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<tr>
<td>Transit</td>
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<td>$12.9</td>
<td>$11.8</td>
<td>$82.2</td>
<td>$23.8</td>
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<tr>
<td>Operations &amp; Facilities</td>
<td>$69.9</td>
<td>$62.7</td>
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<td>$0.0</td>
<td>$7.2</td>
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<td>General Government</td>
<td>$4.4</td>
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<td>Transportation</td>
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<td>Water</td>
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<td>Wastewater</td>
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<td>$629.1</td>
<td>$0.0</td>
<td>$205.2</td>
<td>$236.7</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$2,492.7</strong></td>
<td><strong>$1,119.6</strong></td>
<td><strong>$15.8</strong></td>
<td><strong>$410.2</strong></td>
<td><strong>$947.2</strong></td>
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</table>
## Adjusted Maximum Permissible Residential Charges

<table>
<thead>
<tr>
<th>Service</th>
<th>Singles &amp; Semis</th>
<th>Townhouses</th>
<th>Apartments</th>
<th>Lodging Units</th>
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<tbody>
<tr>
<td>REGIONAL LIBRARY</td>
<td>$210</td>
<td>$158</td>
<td>$114</td>
<td>$65</td>
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<tr>
<td>WATERLOO REGIONAL POLICE SERVICE</td>
<td>$257</td>
<td>$193</td>
<td>$140</td>
<td>$79</td>
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<td>EMERGENCY MEDICAL SERVICES</td>
<td>$93</td>
<td>$70</td>
<td>$50</td>
<td>$29</td>
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<td>AIRPORT</td>
<td>$223</td>
<td>$167</td>
<td>$121</td>
<td>$69</td>
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<td>TRANSIT</td>
<td>$788</td>
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<td>$429</td>
<td>$243</td>
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<td>GENERAL GOVERNMENT</td>
<td>$109</td>
<td>$81</td>
<td>$59</td>
<td>$33</td>
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<tr>
<td>OPERATIONS AND FACILITIES</td>
<td>$118</td>
<td>$89</td>
<td>$64</td>
<td>$36</td>
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<tr>
<td><strong>SUBTOTAL GENERAL SERVICES</strong></td>
<td><strong>$1,798</strong></td>
<td><strong>$1,350</strong></td>
<td><strong>$979</strong></td>
<td><strong>$553</strong></td>
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<tr>
<td>TRANSPORTATION</td>
<td>$10,288</td>
<td>$7,724</td>
<td>$5,603</td>
<td>$3,166</td>
</tr>
<tr>
<td>WATER</td>
<td>$2,385</td>
<td>$1,790</td>
<td>$1,299</td>
<td>$734</td>
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<tr>
<td>WASTEWATER</td>
<td>$6,176</td>
<td>$4,637</td>
<td>$3,364</td>
<td>$1,900</td>
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<td><strong>SUBTOTAL ENGINEERING SERVICES</strong></td>
<td><strong>$18,849</strong></td>
<td><strong>$14,152</strong></td>
<td><strong>$10,266</strong></td>
<td><strong>$5,800</strong></td>
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<tr>
<td>TOTAL DEVELOPMENT CHARGE - URBAN</td>
<td>$20,437</td>
<td>$15,343</td>
<td>$11,130</td>
<td>$6,288</td>
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<tr>
<td>TOTAL DEVELOPMENT CHARGE - TOWNSHIP</td>
<td>$19,859</td>
<td>$14,909</td>
<td>$10,815</td>
<td>$6,110</td>
</tr>
</tbody>
</table>
## Adjusted Maximum Permissible Non-Residential Charges

<table>
<thead>
<tr>
<th>Service</th>
<th>Non-Residential Charge per ft²</th>
</tr>
</thead>
<tbody>
<tr>
<td>REGIONAL LIBRARY</td>
<td>$0.00</td>
</tr>
<tr>
<td>WATERLOO REGIONAL POLICE SERVICE</td>
<td>$0.14</td>
</tr>
<tr>
<td>EMERGENCY MEDICAL SERVICES</td>
<td>$0.05</td>
</tr>
<tr>
<td>AIRPORT</td>
<td>$0.28</td>
</tr>
<tr>
<td>TRANSIT</td>
<td>$0.44</td>
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<tr>
<td>GENERAL GOVERNMENT</td>
<td>$0.06</td>
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<td>OPERATIONS AND FACILITIES</td>
<td>$0.07</td>
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<tr>
<td><strong>SUBTOTAL GENERAL SERVICES</strong></td>
<td><strong>$1.05</strong></td>
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<tr>
<td>TRANSPORTATION</td>
<td>$5.71</td>
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<td>WATER</td>
<td>$1.23</td>
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<tr>
<td>WASTEWATER</td>
<td>$3.16</td>
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<tr>
<td><strong>SUBTOTAL ENGINEERING SERVICES</strong></td>
<td><strong>$10.10</strong></td>
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<tr>
<td><strong>TOTAL DEVELOPMENT CHARGE - URBAN</strong></td>
<td><strong>$11.14</strong></td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT CHARGE - TOWNSHIP</strong></td>
<td><strong>$10.70</strong></td>
</tr>
</tbody>
</table>
RDC Reserve Fund Deficits Are Projected

DEVELOPMENT CHARGE RESERVE FUND CONTINUITY
REGION OF WATERLOO
ALL SERVICES 2014 - 2023

Source: Hemson Consulting
Debt Projections to Complete Growth-Related Projects

POST 2023 RDC FUNDING COMMITMENTS
REGION OF WATERLOO

Source: Hemson Consulting Ltd.
## Implementation Options

<table>
<thead>
<tr>
<th>Option</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impose maximum RDC rates</td>
<td>Provides maximum funding for capital projects &amp; minimizes tax &amp; user rate impacts</td>
<td>Significant increase over current rates (54% residential; 16% non-residential)</td>
</tr>
<tr>
<td>Reduce RDC rates by deferring projects</td>
<td>Reduces pressure on DC rate increase &amp; provides flexibility to manage which projects are deferred</td>
<td>Potential lack of funding for capital projects</td>
</tr>
<tr>
<td>Defer implementation of maximum RDC</td>
<td>Provides transition for developers to commence “shovel ready” projects &amp; reasonable notice of increased rates</td>
<td>Projected lost revenue to be made up from property tax and user rates – $9.3 million with deferral to January 1, 2015</td>
</tr>
</tbody>
</table>
Proposed Rate for Industrial

- As with many other municipalities, incentives for industrial development are proposed

  1. Statutory exemption for industrial expansions up to 50% proposed based on existing building as of August 1, 2014

  2. New industrial development to be charged RDCs at 50% of the non-residential rate

- Funding available to fund these incentives in 2015
## By-Law Policies

<table>
<thead>
<tr>
<th>Issue</th>
<th>Proposed Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownfield exemption</td>
<td>Extend redevelopment time limit from 5 to 7 years</td>
</tr>
<tr>
<td>Time limit for redevelopment credits</td>
<td>Extend redevelopment time limit from 5 to 7 years</td>
</tr>
<tr>
<td>Downtown core exemptions</td>
<td>Continue current exemption but phase out starting in 2017, and full phase out by 2019</td>
</tr>
<tr>
<td>Educational institutions</td>
<td>No RDC discounts or exemptions (status quo)</td>
</tr>
<tr>
<td>Multi-residential amenity space</td>
<td>“Accessory buildings” to be exempt. Definition of accessory building included in draft by-law.</td>
</tr>
</tbody>
</table>
### Total Municipal DC Comparison
#### Non-Industrial

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Upper Tier</th>
<th>Lower/Single Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woodstock</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Brantford</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>London - Institutional</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Cambridge - Current</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td>Cambridge - Calc'd</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Guelph</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>Toronto</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>Waterloo - Current</td>
<td>$25</td>
<td>$20</td>
</tr>
<tr>
<td>Kitchener (Suburban)</td>
<td>$30</td>
<td>$25</td>
</tr>
<tr>
<td>London - Commercial</td>
<td>$35</td>
<td>$25</td>
</tr>
<tr>
<td>Waterloo - Calc'd</td>
<td>$40</td>
<td>$35</td>
</tr>
<tr>
<td>Hamilton</td>
<td>$45</td>
<td>$35</td>
</tr>
<tr>
<td>Mississauga</td>
<td>$50</td>
<td>$45</td>
</tr>
<tr>
<td>Brampton</td>
<td>$55</td>
<td>$45</td>
</tr>
<tr>
<td>Halton Hills (Greenfield)</td>
<td>$60</td>
<td>$60</td>
</tr>
<tr>
<td>Milton - Retail (Greenfield)</td>
<td>$65</td>
<td>$65</td>
</tr>
<tr>
<td>Burlington (Greenfield)</td>
<td>$70</td>
<td>$70</td>
</tr>
<tr>
<td>Oakville (Greenfield)</td>
<td>$75</td>
<td>$75</td>
</tr>
<tr>
<td>Vaughan</td>
<td>$80</td>
<td>$80</td>
</tr>
</tbody>
</table>

Non-Industrial DC Rate per Square Foot

[Graph showing the comparison of Non-Industrial DC rates for various municipalities, with separate bars for Upper Tier and Lower/Single Tier.]
Total Municipal DC Comparison
100% Industrial Rate

Industrial DC Rate per Square Foot

- Upper Tier
- Lower/Single Tier

<table>
<thead>
<tr>
<th>Location</th>
<th>Upper Tier</th>
<th>Lower/Single Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woodstock</td>
<td>0$</td>
<td>0$</td>
</tr>
<tr>
<td>London</td>
<td>0$</td>
<td>0$</td>
</tr>
<tr>
<td>Toronto</td>
<td>0$</td>
<td>0$</td>
</tr>
<tr>
<td>Brampton</td>
<td>0$</td>
<td>0$</td>
</tr>
<tr>
<td>Guelph - Industrial</td>
<td>0$</td>
<td>0$</td>
</tr>
<tr>
<td>Hamilton (7,000 SF)</td>
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<td>0$</td>
</tr>
<tr>
<td>Cambridge - Current</td>
<td>5$</td>
<td>5$</td>
</tr>
<tr>
<td>Cambridge - Caic-d</td>
<td>10$</td>
<td>10$</td>
</tr>
<tr>
<td>Halton Hills (Greenfield)</td>
<td>15$</td>
<td>15$</td>
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<tr>
<td>Waterloo - Current</td>
<td>20$</td>
<td>20$</td>
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<td>Milton (Greenfield)</td>
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</tr>
<tr>
<td>Burlington (Greenfield)</td>
<td>30$</td>
<td>30$</td>
</tr>
<tr>
<td>Kitchener (Suburban)</td>
<td>35$</td>
<td>35$</td>
</tr>
<tr>
<td>Waterloo - Caic-d</td>
<td>40$</td>
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<td>Brampton</td>
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<td>Mississauga</td>
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<td>Vaughan</td>
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<tr>
<td>Oakville (Greenfield)</td>
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Total Municipal DC Comparison
50% Industrial Rate

Industrial DC Rate per Square Foot
50% Reduction for Region of Waterloo

[Graph showing the Industrial DC Rate per Square Foot with a 50% reduction for the Region of Waterloo, comparing various locations such as Woodstock, London, Toronto, Brantford, Cambridge - Calc'd, Kitchener (Suburban), Guelph - Industrial, Hamilton (>10,000 sq ft), Waterloo - Calc'd, Halton Hills (Greenfield), Waterloo - Current, Milton (Greenfield), Burlington (Greenfield), Brampton, Mississauga, Vaughan, Oakville (Greenfield).]

Legend:
- Upper Tier
- Lower/Single Tier
## Next Steps

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Report to Administration and Finance Committee on Implementation Strategies</td>
<td>June 17</td>
</tr>
<tr>
<td>Present RDC By-Law to Council for Consideration and Approval</td>
<td>June 25</td>
</tr>
</tbody>
</table>
Staff Recommendation

• Recommend that Council set the development charge rate at the adjusted maximum permissible rate

  – Maximum funding for capital projects

  – Reduces risk of property tax and user rate impacts, especially related to debenture financing of growth-related capital

  – Upholds “growth pays for growth” principle
WATERLOO REGION HOME BUILDERS’ ASSOCIATION

2014 DEPUTATION TO THE
REGIONAL MUNICIPALITY OF WATERLOO
ADMINISTRATION AND FINANCE COMMITTEE

REGIONAL DEVELOPMENT CHARGES

Public Input Meeting
Wednesday, June 4, 2014, 6:00 p.m.
Regional Council Chamber
150 Frederick Street, Kitchener
My name is Ian Cook and I am a member of the Board of Directors of the Waterloo Region Home Builders’ Association. I am making this deputation on behalf of the 225 member companies of our Association.

I thank you for the opportunity to address the Steering Committee today regarding the Region’s proposed residential development charge.

We extend our thanks to Calvin Barrett, Shane Fedy and Region staff along with their consultant Stefan Krzeczonowicz from the Hemson Group for their willingness to meet with us on several occasions and engage in dialogue and field our questions. We have appreciated their acknowledgement regarding those items that we had previously identified that ultimately resulted in a recalculation of the rate. However, in context of the proposed increase, this reduction is not significant. Additional questions have arisen in the last few days as a result of the short review time, and the additional back ground information requested from staff. Accordingly, I have appended our questions, per the IBI Memo, to my deputation.

**Magnitude of Development Charge Increase**
As Kevin Fergin articulated to this Committee on April 9, we were, and continue to remain extremely concerned with the magnitude of the increase in the charge: over 50% from the current residential DC for a low rise dwelling.

The cost of new housing, and existing housing stock for that matter, continues to rise significantly, and approximately 20% of the cost of the new home is represented by various forms of taxation, not the least of which is development charges. To illustrate, Kevin shared with you in April that development charges have been rising at around 50 times the rates of new housing production over almost a 10 year span.

In speaking with my fellow builder members of our Association, many of whom are in attendance this evening, they are very concerned with the magnitude of this increase. Low rise housing starts generally continue to trend downward and certainly off from the higher level building starts of low rise product we saw 10 years ago. The builder’s margins are decreasing and they feel that the magnitude of the charge that is currently being proposed by the Region cannot be borne by the homeowner - resulting in lower margins or unrealized sales. The larger consequence being a diminished housing economy in the Region that has a trickle down effect to the suppliers, trades and service providers that live, work and play in our Region.

To that end, members have indicated that while no Development Charge increase at this time is desired, consideration of a 50% reduction in the proposed Development Charge increase may be an alternative in finding a middle ground that the Regional housing economy and new home buyer can bear.

**Affordability, Transparency & Accountability**
The industry attributes the large escalations to the costs included in development charges to many sources. It stems in part from the ever changing variety of ways in which the Development Charges Act has been interpreted. This includes, but is not limited to, mechanisms such as excessive soft costs for hard infrastructure (i.e. staff time and higher than standard contingencies), excessive historical service standards, and disproportionate shares between benefit to existing taxpayers and new growth.

In order to increase transparency and accountability, we would request that Council ensure that staff provides our industry with updates on each project on an annual basis recording all monies received and spent and any deviations including additional costs anticipated and variances in timing. Council should also ensure that staff provides regular updates to our Liaison Committee to review the development charge reserves and project lists in the development charges background study. It is appropriate to receive a direct accounting from the reserve funds as to what infrastructure the Development Charge payments contributed to, and the anticipated timing of the infrastructure. I know that transparency is very
important to this Council and I think it is extremely valuable to ensure that the citizens of the Region interests are well served.

**Development Charges Review Timelines**
An observation offered is that many other jurisdictions have involved stakeholder consultation much earlier compared to our Region. Our review of the Region’s Draft Background Study commenced in early April upon receipt of the Study from the Region, and our engagement in professional assistance to aid our members in the review and corresponding comments commenced in mid-April with consultation staring in early May, thereby allowing for only about 6 weeks of analysis/consultation.

Given the complexity of Development Charges and that our Association’s review is largely a volunteer based effort; this is not nearly enough time to complete a fulsome and meaningful review. It raises the question about how genuine the Region is in the stakeholder outreach. Many (but not all) municipalities typically engage stakeholders anywhere from 6 to 12 months in advance of the Background Study being released. This allows for more in depth analysis and dialogue between the municipality and the various stakeholders and in the end a more collaborative outcome. It generally results in fewer appeals to the OMB as discrepancies or errors are mitigated through this extended consultation period.

In the future, it would be our Association’s recommendation that the consultation process begin much sooner.

**Summation**
Finally, in recognition of the limited time we are allotted before Committee this evening, I have appended a letter from Kevin Fergin to the Chair and Members of Regional Council that provides a general commentary on Development Charges and how they and other government imposed costs, impact housing affordability in our Region.

In summary, our Association has a few requests of the Region:

1. Provide longer lead time and opportunity for stakeholder consultation in future Development Charge reviews.
2. Provide regular updates of the Development Charge reserve account and associated Development Charge eligible projects, to our industry via our Regional Liaison Committee.
3. Consider a reduced residential development charge increase by 50% from the amount calculated in the Background Study.

We look forward to further discussion and consideration by the Committee regarding our requests.

Thank you.
APPENDIX 1

Dear Chair and Members of Council,

On behalf of the WRHBA, I would like to submit some general commentary on how Development Charges and other government imposed costs, impact housing affordability in the Region of Waterloo. Although we have submitted comments and concerns directly related to the current draft DC Background Study and By-law to Regional staff, we would also like these general comments included for your consideration and edification during the public review phase of the Development Charge Study process.

New Neighbours Tax – How Much Do They Pay?
Across Ontario, new neighbours are paying more than their fair share in government-imposed costs. As taxes and other government charges increase, these are not absorbed by the industry but are added to the cost of a new home and new employers. These new neighbours ultimately carry the cost of all government imposed fees and charges.

New neighbours - both new homeowners and new employers - do their fair share to contribute to municipal, provincial and federal growth related costs.

For example, the typical new neighbour will pay the following:

1. Local municipality development charges
2. Regional development charges
3. Education development charges
4. Planning review fees
5. Building permit fees
6. Engineering and servicing review fees
7. Conservation Authority review fees
8. Peer review costs
9. Hydro/utility fees
10. Property taxes
11. TARION enrolment fee
12. CMHC mortgage insurance
13. HST
14. Land Transfer Tax
15. Park Cash-in-Lieu Fees

Additionally, new neighbours will not only pay for existing municipal services through their residential property taxes and user fees, but, by virtue of the manner in which the financial tools currently operate, they will also pay the greatest proportion for all new services that are implemented and for upgraded services that can be enjoyed by all residents.

To qualify these remarks, the industry commissioned and released a report looking at the impact of a variety of government charges and fees on the affordability of a new home in the GTA. The study looked at six municipalities and found that on average, more than one-fifth (over 20%) of the cost of a new home goes to government through a variety of fees and charges such as development charges, parkland fees and taxes.

Development Charges
When the Development Charges Act (DCA) was passed in 1997, it attempted to strike a balance between stakeholders. At the time, the DCA attempted to fine-tune the overall principle that growth pays for growth as there were issues arising particularly with respect to service level standards and contributions from the tax base. However, since the passage of the DCA, municipalities have interpreted
the DCA in ways unanticipated with the earlier amendments and they have found alternative ways to raise revenue for infrastructure that go beyond the scope of the legislated requirements in the Act. Charges have increased significantly over the last generations of development charge by-laws and these increases do not match either tax increases or cost of living increases. The rise in development charge revenue is often met with barely any upward movement in property taxes by municipalities. In fact, in many cases, property taxes have been declining in certain municipalities when adjusted for inflation. We recognize that municipalities have increasing pressures to provide for the costs of infrastructure that were not considered ten or more years ago, such as enhanced provincial environmental standards as well as changing transit and mobility needs and increasing consumer expectations and other funding constraints.

**Affordability, Transparency & Accountability**

We believe that a better balance needs to be struck between the costs assigned to new neighbours and existing home and businesses. Failing to address this imbalance now will be an impact on current and future affordability of homes and businesses and on economic growth. It will also exacerbate current frustrations with a decline in transparency and accountability in some areas of the province.

The industry attributes the large escalations to the costs included in development charges to many sources. It stems in part from the ever changing variety of ways in which the DCA has been interpreted. This includes, but is not limited to mechanisms such as excessive soft costs for hard infrastructure (i.e. staff time and higher than standard contingencies), excessive historical service standards, and disproportionate shares between benefit to existing taxpayers and new growth.

In order to increase transparency and accountability, we would request that Council ensure that staff provides our industry with updates on each project on an annual basis recording all monies received and spent and any deviations including additional costs anticipated and variances in timing. Council should also ensure that staff provides regular updates to our Liaison Committee to review the development charge reserves and project lists in the development charges background study. We would like to receive a direct accounting from the reserve funds as to what infrastructure the DC payments contributed to, and the anticipated timing of the infrastructure.

**Public Infrastructure – Private Debt**

New neighbours making mortgage payments on a new home are borrowing to help finance the infrastructure owned by the municipality in which they live. Financing public infrastructure through household mortgage debt is not only dangerous, it is also inefficient.

New and upgraded municipal infrastructure benefits the entire community and delivers those benefits over a long period of time. The costs associated with this basic infrastructure should be borne by the entire community and should be spread out over time to match the productive lifespan of that infrastructure through municipal debt, since municipalities have relatively strong credit profiles, and not over the life of someone's personal mortgage.

**Development Charges Review Timelines**

Currently, the preparation of a development charges background study can take several months and from the date of the release of the Background Study and draft Bylaw, the industry has had very little time to review this information. Although we were provided with some information in advance of the completed background study, it was piecemeal and not ideal for providing a fulsome review on behalf of the industry and the new neighbours who will be bearing the costs of the Development Charges.

There are other municipal partners that understand this pitfall and they bring industry representatives to the table well in advance of the release of the development charges background study. This results in a better understanding of the assumptions included in the background study and supplementary reports,
and generally this also results in less appeals to the OMB as discrepancies or errors are mitigated through this extended consultation period.

**The benefits of Growth to existing residents in the Region of Waterloo**

When calculating the quantum of the Development charge rate, the Region and its consultant have proceeded to itemize and quantify the "cost" of growth.

For many years now the mantra during the preparation of Development Background Studies has been "Growth should pay for itself." While the Home Building Industry does not necessarily disagree with this approach, over the years it appears that the "benefits" of growth have largely been ignored and not taken into account during this process.

Growth brings more jobs and a larger tax base to pay for a wider variety of services, better roads and public transportation, more libraries and community centres, better schools, more recreational activities, improved cultural opportunities and all those other things that provide us with a higher quality of life.

In a growing community such as the Region of Waterloo, real estate values continue to increase at a pace that often exceeds inflation. In stagnant or declining communities, these real estate valuation increases do not materialize.

Therefore, one of the huge benefits of growth, that is often overlooked, is the incredible accumulation of personal net worth (through home equity) that every homeowner enjoys when living in a growing community.

This creation of wealth has been phenomenal in the Region of Waterloo over the past decade. With house prices having increased 50% over this timeframe, the average home (average of single, semi, row and apartments) price has gone from around $200,000 to over $300,000. Multiplied by the number of households in the Region, this translates into a benefit to the net worth of existing residents in the **BILLIONS** of dollars!!

The only thing that residents in the Region have had to do to earn this substantial windfall was to have been fortunate enough to live in this growing community and to have made a wise investment in homeownership. Add to this the fact that these capital gains are tax free and it is clear that homeownership in a growing community has a tremendously positive impact on wealth creation. And this wealth is widely dispersed throughout the community as all forms of housing increase in value.

Therefore, to ensure that growth continues in the Region for the benefit of existing residents, lowering the DC rate and transferring some of the cost of new infrastructure to the existing tax base would be appropriate to consider. Not only would this be a fair and equitable balance for funding new infrastructure, it would also be a financial benefit to both existing and future residents.

All of which is respectfully submitted on behalf of the Waterloo Region Home Builders’ Association,

Kevin Fergin  
2nd Vice President – WRHBA
Memorandum

To/Attention  Kevin Fergin, Ian Rawlings  Date  June 3, 2014  
From  Audrey Jacob  Project No  36363  
cc  Heather Bird, Andrea Renney  Steno  ahj  
Subject  2014 Region of Waterloo DC Review – O/S Questions/Concerns

This memo summarizes the outstanding questions / concerns related to the Waterloo Region DC review.

Process

Given IBI Group’s participation in a number of DC Bylaw reviews over the past 2 years, an observation offered is that many other jurisdictions have involved stakeholder consultation much earlier compared to Waterloo Region. IBI Group’s involvement with the Waterloo file commenced in mid April with consultation occurring through May, allowing for about 6 weeks of analysis/consultation.

Given the complexity of DCs and conflicting commitments, this is not nearly enough time to complete a fulsome and meaningful review. It raises the question about how genuine the Region is in the stakeholder outreach. Many (but not all) municipalities typically engage stakeholders anywhere from 6 to 12 months in advance. This allows for more in depth analysis and dialogue between the municipality and the various stakeholders and in the end a more collaborative outcome.

On a go forward basis it would be IBI Group’s recommendation that the consultation process begin much sooner.

Housing / Population Forecast

1. Given that a DC reflects growth related costs of development, the forecast which underpins the analysis is critical. At the May 15th meeting with the Region there was a discussion around the basis for average household size; subsequently the Region provided the background information.

   • However, as part of this point of discussion, IBI Group requested the source/basis of the housing forecast used in the DC. To date nothing has been provided.

At the meeting Hemson Consulting advised that the forecast was consistent with the Regional Official Plan/Land Budget. I have not found any supporting material in either document to support the housing forecast. It is well known that the issue of the housing forecast by type is a contentious issue in Waterloo Region, as evidenced by the still outstanding matter before the OMB/Courts regarding the Region’s Land Budget. The lack of resolution on that front makes it quite challenging to determine the longer term growth in housing in terms of mix of housing and the infrastructure costs
associated with that growth in housing. There are many assumptions in a housing forecast and there is no transparency in the Region’s housing forecast used in the DC.

2. Having reviewed the average household size (i.e., persons per household or PPU) information provided by the Region, IBI Group continues to have concerns regarding the assumptions.

IBI Group is aware of the Hemson approach to the anticipated shift in housing preference implied/mandated by the Growth Plan. In Vaughan, Hemson advised their own approach assumed that a household that previously would have selected a single/semi unit would now simply choose a row or apartment unit. Thus in Hemson’s approach the implied household size for row and apartment units would have to increase in order to achieve the desired outcome.

The May 7th letter from the Region to IBI Group notes: the ppu estimates were based upon the occupancy patterns of similar unit types constructed in the Region over a 20 year period, and have been adjusted slightly downward to reflect the continuing trend to lower PPUs, consistent with the preparation of the Regional Land Budget. This is entirely inconsistent with Hemson’s approach in other jurisdictions.

3. Having reviewed the housing forecast in the 2014 DC further, IBI Group has significant concerns about the implied absorption or take up of units, particularly in the near term (next 5 years). The forecast assumes that apartment units will be delivered at a rate that is unprecedented in the Region’s history.

- In the 2009 to 2013 timeframe a total of 3,032 apt units were actually delivered or about 606 annually; 2012 was a peak year of 1,160 apt units however most years were significantly less ¹.

- In the next five years (2014 to 2018) the 2014 DCBS assumes a total of 9,444 apartment units (excluding off-campus student housing) will be delivered – more than triple the number of units in the previous 5 year timeframe. Over the next 5 years, it is anticipated that the market will deliver just under 1,900 units annually – apartment completions never achieved across the Region and certainly not on a sustained basis.

In my view, the significant housing preference shift assumed in the next 5 years in the 2014 DCBS may jeopardize the Region’s ability to realized the population forecast because the necessary units may not be delivered.

Land Values

4. A request was made for the basis of the land values associated with municipal facilities. Altus Group forwarded a document used in the City of Kitchener DC review prepared by Coldwell Banker (Peter Berringer). While this is appreciated, it would be appropriate for the Region to provide the basis of the land values used in the 2014 DC level of service and development related capital.

Transit

5. The transit development related capital program totals $23.8 million of which $11.1 million relates to Future Garage Expansion land acquisition. Please provide details of location, acreage and size of building.

6. The Region provided a high level response to inquiries around the Transit Garages – Strasberg and Expansion. There are still concerns around the transit capital costs associated with growth. The approach used to apportion benefit of the capital program between ‘benefit to existing’, growth through the period 2014 – 2023 and post 2023 is not understood. Some basic analysis reveals further questions.

¹ Significant apartment development occurred in Waterloo Region in the 1960s and 1970s equivalent to about 1,000 units annually – likely due to tax programs such as MURBS. Multiple-unit residential building (MURB) investment was a popular Canadian tax shelter in the 1970s as it was a low-risk investment providing huge tax write-offs.
- The Region currently has 281 buses in service according to the level of service summary in the 2014 DCBS. These buses are housed in 364,131 sq ft, or just under 1,300 sq ft per bus. The administration/maintenance/bus storage of 364,131 sq ft is accommodated on 7.71 ha or 19.05 ac or about 43% coverage.

- Using information provided in the 2014 DCBS, the development related capital program can be examined further utilizing information provided in the historic level of service.
  - The capital program (and the City’s capital budget) identifies $18 million in additional vehicles; based on the level of service (i.e., about $500k/bus) this translates into about 36 buses.
  - At 1,300 sq ft per bus, the new garage facilities should be sized at about 46,800 sq ft.
  - At $265/sq ft (based on level of service information), the garage required to accommodate the new buses would be about $12.4 million.
  - At 43% coverage, a site of just over 1 ha is required. At $740k/ha, it is estimated that the land required would be about $750k.
  - Based on available information, IBI estimates that the costs associated with the garage required to accommodate the additional conventional vehicles (buses) should be around $13.2 million in land and buildings.
  - However, the capital program reflects costs of $64.8 million, excluding design and engineering ($8.4 million). The costs breakdown includes land acquisition costs of $12.4 million; the future garage expansion construction costs are identified at $27.9 million and $24.5 million for 2018 and 2019 respectively. This is vastly different from a 'calculated' requirement as outlined above.
  - The Region noted in their May 7th response: based on current growth projections and planned GRT transit fleet expansion, it is estimated that the existing bus storage and maintenance capacity of the existing GRT facilities (Strasburg/Chandler and Conestoga) will effectively be maximized by 2015-2016. Accordingly the approved GRT Facilities Strategy plans for the construction of a new bus storage and maintenance facility in Waterloo in the 2017-2019 timeframe. The 2014 GRT Capital Budget and 10 year forecast includes funding in 2014 for land acquisition with subsequent construction planned from 2017 – 2019.
  - If the new facilities are to accommodate existing buses, the capital costs should reflect a benefit to existing.
  - Similarly, given that the GRT capital forecast does not include the purchase of additional vehicles post 2021, the facilities costs identified as development related post 2023 seem excessive.

7. The 2014 capital budget for Grand River Transit identifies RDC reserves of $6.188 million; please advise how these have been taken into account in the 2014 DC analysis.

Roads

8. The Region of Waterloo approach to the roads program and benefit attribution between benefit to existing (BTE), 2014 – 2023 growth and post 2023 growth (PPB) is not understood.

Generally, the Region’s approach assumes very limited BTE and zero PPB. Where there is an assignment of BTE, it is not clear as to the rationale used for the quantum identified.

In the case of PPB, even if a road project is delivered late in the period i.e., 2022, the Region claims there is no PPB. Their position is that a fraction of a lane or intersection improvement cannot be delivered; it must be the entire land or intersection improvement. The position taken on roads
contrasts sharply against the approach taken to water/wastewater infrastructure where in the Region’s May 7th letter they state: for some municipal servicing, such as water and sewer pipes, it is prudent to oversize infrastructure to allow capacity for future development beyond the DC period and hence a deduction may be appropriate. The Region also notes: road projects are not typically allocated post-period benefit in Development Charge calculations. This claim by the Region is entirely false. IBI Group has worked with many municipalities where PPB is routinely identified. Recent examples include the Cities of Ottawa and Toronto as well as York Region.

This requires serious re-consideration by the Region.

9. The Region provided IBI Group with volume to capacity data for the Region’s screenlines for 2011 and 2031. However, the time horizon considered in the 2014 DCBS is 2014 to 2023. Volume to capacity data provides insights into areas of congestion and the need for improvements. The Region advised that they had interim information available for 2021 but would not release this information as it holds no official status. Based on our review of the volume to capacity ratio information provided, we have significant concerns that road related works included in the DC may be inappropriate based on information IBI was provided. We would appreciate receiving the 2021 interim volume to capacity estimates if only to simply provide an ‘informed’ position on this matter.

10. The Region’s May 7th letter provides some explanation for the increased number of projects. The letter notes: Intersection improvements, development related left and right turn lanes and new traffic signals are identified through Transportation Impact Studies (TIS) or as other localized intersection capacity improvement studies. These improvements are evaluated based on development impacting the volume/capacity ratio to a point to trigger the addition of turning lanes and/or traffic signals or the need for a roundabout. This response generates additional questions:

- Are the referenced projects identified through TIS studies not more appropriately funded by the development generating the traffic? Should this not be a developer responsibility?

- The Region uses volume/capacity ratio data as a ‘trigger’ in the context of the need for additional turning lanes or traffic signals. Why is this not similarly used for other road related works?

- The Region advised that they use a volume/capacity ratio of 1.05 as the basis for identifying a ‘trigger’; many other jurisdictions use 0.9. Based on our analysis of the volume/capacity ratio data provided, a good many roads in the Region are well beyond the 1.05 ‘trigger’ point; projects on these roads should consider BTE. A review of the roads program included in the 2014 DC did not provide any rationale for the estimates of BTE.

11. Cycling and pedestrian modal share are forecast to increase. Modal share should be used as a basis for determining benefit attribution. For example, cycling modal share is forecast to increase from 0.7% to 3.0%. This shift is not attributed solely to new growth but rather across the existing and future population. So the need for bicycle lanes should relate not simply to the future population but also reflect the increased users due to the shift in modal share. This should similarly be reflected in transit estimates of BTE.

Water/Wastewater

12. The Region uses flow rates based on a running 5 year average of actual flow rates. Given that the Region is assuming a significant shift to higher density units and given that apartment dwellers typically do not utilize nearly as much water as those residing in single family housing, it would be entirely appropriate for the Region to consider using lower flow rates in their analyses of water and wastewater infrastructure. Lower flow rates will likely reduce infrastructure requirements, particularly supply and plant requirements. This warrants further review.
June 4, 2014

Tom Galloway & Members of the Administration and Finance Committee
Regional Municipality of Waterloo
150 Frederick Street
Kitchener, ON N2G 4J3

SUBJECT: REGION OF WATERLOO
2014 DEVELOPMENT CHARGES REVIEW (RDC) (REPORT f14-065)
DRAFT REGIONAL DEVELOPMENT BY-LAW (RDC BY-LAW)
FUSION HOMES
471-481 KING STREET EAST
CITY OF KITCHENER

Dear Chairman Galloway & Members of the Administration & Finance Committee:

On behalf of Fusion Homes, owner of properties at 471 and 481 King Street East in the City of Kitchener and the downtown core area of the municipality, the following comments are provided for your consideration. We have now had a chance to review both the Regional Development Charge Report and the Draft Regional Development Charge By-Law as they apply to Council’s current five year review of its Development Charge By-Law.

In this regard, we offer the following submissions. Please refer to the attached Figure 1 which illustrates the location of the subject lands which are shown “in red”. The lands are located in the expanded DC exemption area within the core area of the City of Kitchener, effective January 1, 2016.

1.0 SUMMARY

The summary of our request regarding the proposed Regional DC By-Law is as follows:

1) A full Regional DC exemption should be maintained and applicable until July 31, 2019 within the expanded Core Area of the City of Kitchener and in particular for the Fusion lands;

2) The proposed DC By-Law should modified and a new subsection added that reads as follows;

"For the expanded Core Area in the City of Kitchener and in particular the properties at 471 and 481 King Street East where there are building permits issued during the period January 1st 2016 to July 31st 2019, no Regional development charges will be applicable nor payable";

3) Both the Regional Development Charge Report and proposed DC By-Law should be in keeping with the intent and the principles of the City of Kitchener DC By-Law approved by Kitchener City Council in March 2014.
2.0 PROPOSED PHASING OF THE FUSION PLANS

The following plans hereto illustrate the proposed three phases of development at the 471-481 King Street East mixed use project.

From the numerous discussions and meetings with the senior City staff and City of Kitchener Council, our client’s marketing and business decisions have been based on the 2019 time frame and from an economic perception for 3 phases:

2016 – Phase 1  
2018 – Phase 2  
2019 – Phase 3
3.0 COMMENTS ON THE RDC BACKGROUND REPORT AND DRAFT REGIONAL DEVELOPMENT CHARGE BY-LAW (RDC BY-LAW)

Our comments on the RDC Background Report and Draft RDC By-Law are as follows:

We support the inclusion of our client’s lands in the expanded downtown core area boundary for the City of Kitchener effective as of January 1, 2016. However, the proposed Regional DC By-Law includes a major difference from what was approved by the City of Kitchener.

The City of Kitchener has approved and recommended a full DC exemption including the year 2019. On the contrary, the Regional DC By-Law indicates that a full DC By-Law exemption would only be applicable to and including 2016. Therefore, our project would only have one (1) year to take advantage of the full Regional DC exemption.

The significant point is that the Regional DC exemption would be reduced beginning in 2017 to January 1, 2019 and thereafter no DC exemption would be available in the City of Kitchener downtown core area in 2019. It is our view that this is not consistent with the decision by the City of Kitchener to assist in stimulating new development in the east end of the downtown corridor.

The main reasons why we feel that the expanded core area requires support from Regional Council are as follows:

1. We have agreed to a phasing plan starting in 2016 through to 2019 with the City of Kitchener. We have been working with both senior Kitchener staff and Members of Council for more than 1 ½ years to arrive at a mutually satisfactory solution that balances both the City goals for the core area and our client’s economic sustainable plans. Based on the proposed Regional DC By-Law, the balance has been altered and the project becomes much less viable.

2. The limitation of the full DC exemption for the expanded core area in the City of Kitchener creates a number of key marketing and economic hardships on our client to implement the phasing plan as proposed to date.

3. The proposed development would create new opportunities and growth potential for the Market Area which requires an economic boost to assist in the revitalization of this portion of the City of Kitchener.

4. The proposed development of the 471 and 481 King Street East properties will support the implementation of the Regional LRT initiative.

4.0 RECOMMENDATIONS

Our recommendations to the Administration and Finance Committee and Regional Council are as follows:

1. We respectfully recommend that the Regional DC Exemption be applied in a similar manner and in concert with the City of Kitchener approval and recommendation for the expanded core area, that being that the full Regional DC exemption be maintained in effect until July 31st, 2019.
2. From a fair and equitable perspective, we respectfully recommend that the full Regional DC exemption until 2019 (July) should be provided for the expanded core area in the City of Kitchener and in particular for the 471 and 481 King Street East properties, given time and investment made by both the City and our client.

3. We respectfully request that the Regional DC By-Law be consistent with the City of Kitchener recommendation and approval at its meeting of March 3rd, 2014.

Furthermore, we request a modification to the Draft and Regional proposed DC By-Law specifically Section 4(9) and by adding a new subsection which would read as follows;

“For the development of the expanded Core Area in the City of Kitchener and in particular the properties at 471 and 481 King Street East where there are building permits issued during the period January 1st 2016 to July 31st 2019, no Regional development charges will be applicable nor payable”.

5.0 CONCLUSION

Based on the significance and the importance of the Market Square and the surrounding areas in the Kitchener Downtown Core Area, the applicability of the full Regional Development Charge exemption is required on lands on King Street East up to and including July 31, 2019 in order to maintain the economic viability of the project and the surrounding area.

Please find below the proposed plan for our client’s King Street East lands.
We look forward to Regional Council’s consideration and approval of our submissions and recommendations.

Yours very truly,

[Signature]

Paul F. Puopolo, MA MCIP RPP OALA
President
Polocorp Inc.

/kc
Enclosures

cc: Larry Kotseff, Fusion Homes

Attachments: Figure 1 – Location of the Subject Lands
Bauer Lofts
$360 - $370 psf

Mid Block
$300-$325 psf

Arrow Lofts
$316 psf

Cedar East
$230-250 psf

FINANCIAL MODEL FOR RESIDENTIAL/COMMERCIAL PRICES
For the City of Kitchener-Waterloo & Cambridge

KING STREET

Downtown

Waterloo

Downtown

Kitchener

Red Condominiums
$370 psf

One Victoria
$362 psf

City Centre
$343 psf

Le Marche
$230 psf

Cedar East
$230-250 psf

FIGURE 2

2) Commercial rental rate for: Uptown Waterloo is $13.62 Per Square Foot; to Downtown Kitchener is $10 - $11 Per Square Foot; to Cedar Street is $6 - $8 Per Square Foot; to Downtown Cambridge is $9.50 Per Square Foot
## Preliminary Proposed Phasing
### 471 / 481 King Street East

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### Preliminary Proposed # of Units
#### 471 / 481 King Street East

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<th>Phase/Unit Type</th>
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<th>Studio</th>
<th>1Bedroom</th>
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<td>8-20</td>
<td>35-47</td>
<td>20-32</td>
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<td>Phase 2</td>
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<td>20-32</td>
<td>75</td>
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<tr>
<td>Phase 3</td>
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<td>70-82</td>
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<td>TOTAL</td>
<td>0-36</td>
<td>16-40</td>
<td>138-174</td>
<td>110 - 146</td>
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Mr. Chair person, members of council.

Since I have only 5 minutes to convey my points, I will talk in “absolutes” just as you do!

PART 1: BONUSING IN A HISTORICAL CONTEXT

In spite of its etymology deriving from the Latin bonum, meaning “a good thing”, the granting of Bonuses are the subject of a general prohibition under municipal law.

Section 106 of the Municipal Act, 20012

(the “Act”) sets out the prohibition as follows:

(1) Assistance prohibited - Despite any Act, a municipality shall not assist directly or indirectly any manufacturing business or other industrial or commercial Enterprise through the granting of bonuses for that purpose.

(2) Same - Without limiting subsection (1), the municipality shall not grant assistance by, a) giving or lending any property of the municipality, including money; b) guaranteeing borrowing; c) leasing or selling any property of the municipality at below fair market value; or d) giving a total or partial exemption from any levy, charge or fee.

(3) Exception - Subsection (1) does not apply to a council exercising its authority under subsection 28(6) or (7) of the Planning Act or under Section 365.1 of this Act.

This section is in the act to prevent municipalities from engaging in a destructive and costly incentive war, which nobody can win and the past has contributed to municipal bankruptcies.

As councillor Galloway outlined, any incentives that we provide have to be funded none-the less!

It is quite clear then, that the costs of the incentives are not recovered from the development and job creation you want to achieve!!!!

That is the same point I made re the airport subsidies.

There is not a single cost benefit analysis documenting the increase revenues to offset the investment made in the airport and there is not a single page which outlines the required industrial development to offset the $7 million dollars, or the estimated $1.9 million for 2014, of taxpayer’s money squandered on an ill-conceived job creation plan!

It is not the function of a municipality to engage in job creation activities.
Even at the provincial or federal level they have been an unqualified failure.

An investment, as per the dictionary meaning, requires a return of more than invested.

In fact, you cannot even get your money back; because you make the assumption that manufacturing will locate here because they save $20-60 thousand dollars in development charges. Wrong!!! Manufacturers locate in the region because of, among other things, proximity to markets and transportation corridor, an educated labour force and a sound infrastructure.

In case you missed it, I am registering my strongest objection to giving incentives to industrial and commercial enterprises, because it does not work, is very costly and illegal!
June 3, 2014

SENT BY EMAIL regionalclerk@regionofwaterloo.ca

Region of Waterloo
150 Frederick Street, 2nd Floor
Kitchener, ON N2G 4J3

Attention: Regional Clerk
Regional Chair & Members of Council

Dear Sirs and Mesdames:

Re: DEVELOPMENT CHARGES REVIEW
Mattamy Development Corporation

We represent Mattamy Development Corporation (“Mattamy”) with respect to the Region’s review of its development charges (“DC”) by-law. We understand that Mattamy, through Brad Trussler and through Daryl Keleher of Altus Group, has participated in stakeholder consultation as facilitated by the Region. Our client is grateful for this opportunity and the responses they have received to date to various questions raised through that process.

As a result of its engagement in the review process, a number of Mattamy’s concerns have been satisfied. However, there are some significant issues that remain unresolved with the current proposed by-law and Background Study, as set out in the following paragraphs.

1. Post-Period Benefit for Roads – In the same manner in which the volume and capacity of water and sewer pipes are estimated for any given year, and to the 2023 timeframe for the proposed DC by-law, so too are the volume and capacity ratios estimated for existing and proposed roads in the Region’s program. As such, roads should be treated no differently than water and sewer pipes and a portion of the costs of future road projects should be allocated to the period post-2023 where capacity is not anticipated to be reached within that timeframe.

2. Benefit to Existing for Cycling Lanes and Sidewalks – The majority of the proposed cycling lanes and sidewalks in the DC program are located within the built-up areas. It is
impractical to assume that no existing residents will utilize the proposed facilities and correspondingly assign no portion of the costs to the existing community. We would urge the Region to return to the approach used in the 2009 Background Study, which assigned 83 to 85% of the costs to the existing community.

3. **Post-Period Benefit for the Waterloo Expansion (Project 8316)** – The Background Study notes that, “this plant will need to be expanded by 2024”, which is beyond the period of this DC by-law. If this expansion is not needed to service the anticipated development within the period of the by-law, the development does not benefit from the expansion and the associated costs should therefore be assigned entirely to post-period development.

The *Development Charges Act* allows a by-law to include only those costs related to projects required because of increased need for services arising from the development anticipated within the timeframe of the by-law. It is not appropriate or reasonable to include the costs in this by-law simply because they will naturally be incurred prior to the project coming online to benefit future growth anticipated after 2023. The Act allows the Region to recover interest on money borrowed to pay for the costs of future facilities. This is a more appropriate mechanism that could be applied by the Region to finance the project, which should be included in a future by-law that is based on development and the associated increased need for services for the year 2024 and beyond.

4. **Need for and Post-Period Benefit for Galt and Wellesley Expansions** – According to Table 2 in Appendix D.2 of the Background Study, Galt has sufficient capacity in the existing system to accommodate growth to 2031 and Wellesley has sufficient capacity in the existing system to accommodate growth to 2023, which is the end of the period of the proposed DC by-law. Yet 28% of the costs of the Galt Process Upgrades/Expansion project and 100% of the costs of the Wellesley Upgrade and Expansion project have been attributed to growth within the period of the DC by-law. If these projects are not needed to service the anticipated development to 2023, the associated costs should be allocated to development within the period of the by-law.

The *Development Charges Act* allows a by-law to include only those costs related to projects required because of increased need for services arising from the development anticipated within the timeframe of the by-law. It is not appropriate or reasonable to include the costs in this by-law simply because they will naturally be incurred prior to the project coming online to benefit future growth anticipated after 2023. The Act allows the Region to recover interest on money borrowed to pay for the costs of future facilities.
This is a more appropriate mechanism that could be applied by the Region to finance these projects, which should be included in a future by-law that is based on development and the associated increased need for services for the year 2024 and beyond.

5. **Deferral of Projects and Phase-In of DC** – We note that Staff Report F-14-065 sets out options for Council’s consideration for both deferring some of the projects expected to be completed within the period of the DC by-law, and for phasing in the new DC rates to allow developers to adjust their business plans accordingly. We can advise that due to the size of the proposed increase, a phase-in or deferral of projects is supported.

We thank you for allowing Mattamy the opportunity to participate in the stakeholder meetings and provide feedback. We would be happy to meet with you and staff to continue the dialogue on the above remaining issues. We otherwise look forward to receiving the Region’s responses to the comments and requests set out above.

Yours truly,

WeirFoulds LLP

Per: Jennifer Meader

JM/jm

c: Brad Trussler, Mattamy Development Corporation
    Daryl Keleher, Altus Group

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