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**REVISED NOBLETON COMMUNITY
DEVELOPMENT CHARGE OPTIONS
AND
PREPAID DEVELOPMENT CHARGE CREDIT AGREEMENT PRINCIPLES
TOWNSHIP OF KING**

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, May 19, 2004, from the Commissioner of Finance, Commissioner of Planning and Development Services and Commissioner of Transportation and Works:

1. RECOMMENDATIONS

It is recommended that:

1. Council authorize staff to take the necessary steps to enact an area-specific development charge by-law for wastewater infrastructure in the Nobleton Community.

1. Council authorize staff to bring forward an amendment to the Development Charge By-law No. DC-0005-2003-050 and preparation of any necessary Background Study, to remove costs associated with the Nobleton sewage water pollution control plant (WPCP) pumping station, forcemain and trunk sewer from the Region-wide Development Charge.

2. Council authorize staff to hold the necessary public meetings to facilitate the above mentioned.

3. Council authorize staff to negotiate the terms of a prepaid development charge credit agreement with the Nobleton Community Developer Group and the Township of King (subject to approval from Township of King Council), in accordance with the principles outlined herein for the accelerated construction of :
 - the sewage WPCP, Pumping Station, forcemain and trunk Sewer at an estimated cost of \$12.7 million, and
 - widening of King Road from west of Highway 27 to Lynnwood Crescent (0.5 km) at an estimated cost of \$750,000.

4. The Regional Chair and Clerk be authorized to execute the agreement for the advanced construction of the above noted works subject to receipt of funding as outlined in this report.

5. The Commissioner of Transportation and Works may permit the Developer Group to tender and construct the Nobleton sewage and road works, if requested by the Nobleton Community Developer Group, in conformance with the general

requirements of the Purchasing By-law. In such case, Regional Council waive the Regional Purchasing By-law.

2. PURPOSE

In most communities where Regional infrastructure is provided, the development occurs within the urban boundary and the development charges generated by the future growth meet or exceed the cost of providing the infrastructure. In the case of the Nobleton Community, the sewage infrastructure works are not included in the Region's Capital forecast and the cost to the Region for the provision of wastewater infrastructure is disproportionate to the total sewer development charges that will be generated within the community.

A developer group within the Nobleton community has requested that the sewage and roads works be advanced in order to facilitate full buildout of their lands. The Developer Group has indicated that they are willing to advance the construction timing of the required infrastructure by providing funds in the way of prepaid development charges and will absorb the non-growth component of the cost of the sewage works. This report seeks Council authorization to enter into a prepaid development charge credit agreement for the advanced construction of the sewage and road works with the landowners in Nobleton Community area and the Township of King, to allow for the buildout of their lands. As the sewer works are not included in the Region's capital forecast and recognizing the significant cost of the sewer infrastructure in relation to the sewer development charges generated in the community, the developer group has proposed a recovery of the growth component of the sewer works through an area specific development charge.

This report was initially tabled at the May 6, 2004 Finance and Administration Committee, and now has been amended to reflect the outcome of discussions held with the developer group and the Township of King.

3. BACKGROUND

3.1 Nobleton Community

The Nobleton Community Plan area covers approximately 1,450 hectares (3,583 acres), of land bounded to the east and west by 8TH Concession Road and the 10TH Concession Road, respectively, on the north by 15TH Sideroad and on the south by the King-Vaughan municipal boundary. The Nobleton Community Plan identifies approximately 3,490 residents with a forecasted population of 6,500 persons and additional employment lands of 21.5 hectares (53 acres) yielding approximately 648 jobs.

In 1997, the York Durham Sewage System ("YDSS") Master Plan discussed ways to provide sewage service to five satellite communities within York Region. The Nobleton Community was one of the five communities considered in the Master Plan. The Region

undertook an Environmental Assessment to explore all possible servicing alternatives for the Nobleton Community. The EA recommended that the best possible solution would be that future growth be accommodated through a wastewater treatment plant and associated pumping station and forcemain with no connection to the YDSS. The recommended sewer works were not included in the Region's Development Charge By-law. As a result, the 2003 DC By-law contains a provision to include these works into the Development Charge By-law upon approval of the Community Plan which increases the region-wide Development Charge by \$34 per single family dwelling.

In order to proceed with the buildout of subdivisions within the Nobleton Community, sufficient sanitary sewage servicing capacity, water servicing capacity and road capacity must be made available. This requires the Nobleton Sewage Treatment Plant, pumping station and forcemain, an elevated tank, watermain, wells and widening of King Road. Accordingly, the Nobleton Community Developer Group has requested that the construction of the sewer and roads infrastructure be advanced through pre-payment of development charges. The sewage infrastructure is estimated to cost \$24.2 million with \$12.7 million being a Regional responsibility. The water and roads infrastructure are estimated at \$6.7 million and \$750,000 respectively. The development charges that will be generated by the community are estimated to be \$4.0 million for sewer, \$4.0 million for water and approximately \$4.6 million for roads. The Developer Group has proposed an area specific sewer development charge, due to the disproportionate cost of the sewer infrastructure compared to the Development Charges generated through buildout of the community. (\$12.7 million cost vs. \$4.0 million in development charge collections)

On January 22, 2004 Regional Council approved in principle Amendment No.57, Township of King, Nobleton Community Plan. The report recommended that the Finance Department prepare a report outlining the options for payment of uniform region wide and area specific development charges prior to final approval of the community plan.

3.2 Report Deferral

A report pertaining to the advancement of servicing infrastructure had been included on the May 6, 2004 Finance and Administration Committee agenda. On May 5, 2004 Township of King staff requested that the Nobleton report, be deferred until such time as staff could have an opportunity to revisit population projections for the Nobleton Community and to gain a better understanding of the principles of the proposed Prepaid Development Charge Credit Agreement for the provision of sewer, water and roads works.

3.3 Modifications to the Report

On May 12, 2004 regional staff met with Township of King staff, the Nobleton Developer Group and their consultants. At that meeting, issues regarding the community plan buildout and the funding of the water infrastructure were discussed. The following outlines the results of these discussions.

3.3.1 Community Plan Buildout

The initial report indicated that based on a total future population of 6,500 persons in the Nobleton Community, approximately 1,084 new units would be constructed. The reference to the number of new units proposed for the Nobleton Community may change due to varying persons per unit calculation. According to the 2001 census information, the number of persons per unit in Nobleton was 3.05. However, regional planning staff are projecting a decline in the number of persons per unit from 3.05 to 2.85, which may yield approximately 1,200 new units in the Nobleton Community based on a total population of 6,500 persons.

3.3.2 Water Servicing

The total cost of the water works reported previously was \$6.7 million which was to be funded 80% by the Developer Group and 20% by the Region. Upon further review of the cost of the water works by Regional staff it was determined that the component of the works required to service growth is to be estimated to be \$4.8 million. The estimated growth component of the water works is \$3.8 million. The timing for the provision of the water infrastructure by the Region is scheduled in the Regional Capital Plan for 2007 to 2011. As a result of further discussions held, Nobleton Community Developer Group indicated that the timing of the current Regional capital plan, will likely coincide with the timing of their development. The projected buildout in the Nobleton Community will generate sufficient development charge revenues to fund the growth component of the works.

Therefore, the Nobleton Developer Group believe that advancement of the construction timing of the water works is no longer required at this time. However, they have expressed an interest in continuing to working with regional staff through the anticipated EA process and the exploration of other viable alternatives.

4. ANALYSIS AND OPTIONS

4.1 Planning Considerations

The community of Nobleton is designated in the Regional Official Plan as a “Town and Village”. The proposed Nobleton Community Plan (OPA 57) will increase the current population from approximately 3,200 to 6,500 persons by 2016. All new development shall be serviced by municipal sewage treatment facilities and municipal water supply.

Other communities in York Region designated as a “Town and Village” include Kleinburg, Schomberg, King City, Stouffville, Ballantrae, Mt. Albert, Sharon, Holland Landing, Willow Beach, Sutton and Pefferlaw. All of these communities, with the exception of Pefferlaw and Ballantrae, are serviced by a municipally operated sewage treatment system or have approval to be serviced by a municipal system. Ballantrae is serviced in part by a privately owned and operated communal system and Pefferlaw is

serviced by private septic systems. The recently approved Georgina Official Plan envisions Pefferlaw to continue to be serviced by private septic systems. The recently adopted Official Plan for the Town of Whitchurch-Stouffville envisions Ballantrae to continue to be serviced by a combination of private septic systems and communal system.

Nobleton is the only remaining “town or village” in York Region seeking a servicing solution. There are no other “towns or villages” in York Region that have the same servicing situation as the community of Nobleton. A decision to apply a site specific development charge to Nobleton will not set a precedent for other towns or villages in York Region.

4.2 Infrastructure Considerations

4.2.1 Sanitary Sewer

An Environmental Assessment undertaken by the Region identified sanitary sewage servicing to the Nobleton Community Plan area being based on municipal sanitary sewers and a treatment facility. The Regional infrastructure requirements include a wastewater treatment plant and outfall at an estimated cost of \$9.7 million and pumping station, forcemain and trunk sewer at an estimated cost of \$3.0 million. The Township of King is responsible for the construction of the local collection system at an estimated cost of \$11.5 million. The following table outlines the cost of the Regional sewer works attributable to existing and new development in the community based on projected flows.

Table 1
Region of York Capital Cost Allocation

	Existing Development	Future Development	Total
Capital Costs	\$5.9M	\$6.8M	\$12.7M

In December 2002, C.N. Watson and Associates undertook an analysis of the required sewer infrastructure in the Nobleton Community on behalf of the Township of King. The analysis focuses on methods and impacts of financing the associated sewer infrastructure costs to be incurred by the Region and the Township of King. The study identified three approaches to financing the required local and regional sewer infrastructure costs.

One of the options identified in the analysis was to have the development proponents advance the sewer works, and the establishment of an area specific development charge to recover growth-related Regional costs associated with the infrastructure, as this would not impact the current Region-wide development charge rate.

4.2.2 Water Supply

The community of Nobleton is serviced by municipal water with a current capacity of 5,000 people. In order to accommodate the full buildout of the proposed development within the Nobleton Community Plan area, additional capital infrastructure is required.

Based on the preliminary results of the Long Term Water Master Plan update, the required infrastructure consists of an elevated tank and watermain at total estimated cost of \$2.4 million by the year 2011 and a well pair and watermain at total estimated cost of \$4.3 million by 2010. The total growth and non-growth cost of the water infrastructure attributable to the Nobleton Community Plan area is \$6.7 million.

4.2.3 Roads

The developer group has proposed the four laning of 0.5 km of King Road through the settlement area from west of Highway #27 to Lynnwood Crescent, at an estimated cost of \$750,000. The plan as proposed however does not include left turn lanes at any of the intersections through this section and the Regional standard generally requires such turn lanes.

4.3 Regional Development Charge Options

The Regional Development Charge By-law provides for an increase to the sewer development charge rate once the community plan has been approved by Regional Council, based on a uniform region-wide methodology. The Nobleton Community Developer Group expressed an interest in advancing the construction timing of the required water, sewage and road infrastructure. According to Regional policy, the Nobleton Developer Group would be required to finance 100% of the cost of the sewer works, estimated at \$12.7 million. Also the Developer Group would be eligible to recover the growth component of the works estimated to be \$6.8 million, by way of sewage development charge credits at the time of subdivision registration. The Developer Group would not be entitled to recover the non-growth portion of the cost of the works estimated to be \$5.9 million, as the works are currently not included in the Region's Ten Year Capital Program. It should be noted that if these works are not advanced by the developer group, the Region would be required to fund the non-growth component of the works from non-growth sources (i.e. user rates).

Through discussions, the Developer Group has proposed that the recovery of the growth-related component of costs be facilitated through an area specific development charge in the Nobleton Community. The following outlines the options to incorporate the works into the DC By-law.

4.3.1 Uniform Region Wide Methodology

The cost of the Regional Component of the Nobleton sewage infrastructure is estimated to be \$12.7 million. The growth component of the sewage works is \$6.8 million. If a developer group wished to advance the construction of these works through prepayment of their development charges, they would be entitled to recover the \$6.8 million from development in the community. Under the current by-law growth in the Nobleton community would total approximately 1,200 units that would generate approximately \$4.0 million in sewer development charges. A development charge shortfall of \$2.8 million would be created being the difference between the growth-related cost of the infrastructure and the development charge generated in the community. Under the region-wide methodology, development in all areas of the Region would contribute to the developer group's recovery of the \$2.8 million shortfall. This results in an increase to the

Regional Development Charge of \$34 per single family dwelling to reflect the subsidy this development would receive from other development in the Region.

4.3.2 Area Specific Methodology

The CN Watson financial analysis indicated that implementing an area specific charge, would result in development within the Nobleton Community paying an increased development charge of approximately \$5,700 per single family dwelling compared to the current uniform Region wide rate of \$3,320. The recovery of the Development Charge shortfall will be contained within the community and would not be subsidized from development outside the community. This methodology requires an amendment to the current by-law to remove the Nobleton sewage infrastructure costs, and the enactment of a separate Development Charge By-law for the Nobleton sewage costs.

Adopting this methodology for the collection of development charges could set a precedent for future new serviced communities. However, due to the disproportionate cost of the infrastructure, and the limited potential of future communities in this situation, it is recommended that an area specific charge be implemented. Table 2 below provides an analysis of the uniform region wide and area specific development charge methodologies.

Table 2
Comparison of Uniform Region Wide and Area Specific
Development Charge Methodologies

	Uniform	Area Specific
Development Charge Methodology Change	Uniform region-wide methodology is already in existence (status-quo).	Need to adopt area specific methodology – precedence would be set.
Development Charge By-law inclusion	Provision in DC By-law to include Nobleton Community costs as Region uniform region wide.	No provision in DC By-law to include Nobleton Community as area specific – would require a DC By-law amendment.
DC Rate Implications to Entire Region	Increase of \$34 to current uniform region wide rate.	Area specific methodology has no cost increase to rest of Region, higher rate in Nobleton community.
Recovery of Regional Infrastructure Costs	Cost of infrastructure is disproportionate to the total DC's that will be generated by the Nobleton Community. Therefore, development in the rest of the Region would contribute to the cost of development in the Nobleton Community. – Subsidized by other development	Area specific methodology would recover Region's portion of the infrastructure costs from development within the Nobleton Community. – No subsidization
Timing of Cost Recovery	Uniform Region wide methodology would forward a portion of DC's collected from rest of Region. Not linked to community buildout.	Area specific methodology controls timing as full cost recovery by developer based on timing of buildout of community.

4.3.3 Front-Ending (*Development Charges Act*, Section 44) Methodology

A third option of a Front-Ending Agreement as described in the *Development Charges Act*, Section 44, for the collection of Regional Development Charges was explored. This methodology allows for the Region to enter into an agreement with the Developer Group to advance the construction of the sewer works within the Nobleton Community. Due to administrative complexities, the strict criteria for the agreement in the Development Charges Act, the fact that very few municipalities (including the Region) have executed a front-ending agreement and given that the agreement achieves a similar result as an area specific development charge, this option was not pursued.

5. FINANCIAL IMPLICATIONS

The Nobleton Community Developer Group has expressed an interest in advancing the sewer and road infrastructure required in the community.

Subject to receipt of the necessary planning approvals, the following are the principles of the prepaid development charge credit agreement between the Nobleton Community Developer Group, The Regional Municipality of York and the Township of King:

Sewage Infrastructure

- The cost of the WPCP, pumping station, forcemain and trunk sewer is estimated at \$12.7 million.
- The Nobleton Community Developer Group will provide financing for the growth and non-growth components of the pumping station, forcemain and trunk sewer works, equal to 100% of the total costs.
- The Nobleton Community Developer Group will be provide the required funding in a format acceptable to the Regional Treasurer, in accordance with the following schedule:
 - 10% at the time of execution of the agreement (\$1.27 M),
 - 40% prior to the issuance of construction tender (\$5.08 M), and
 - 50% prior to awarding the contract for construction of the works (\$6.35 M).
- The final 50% of the required funding will be adjusted up or down in accordance with the tendered price, and would be required by the Region prior to proceeding to Council for approval of the award. The developer group undertakes to provide any additional funding within 15 days of a written request from the Region, and conversely, will be refunded any project savings upon project completion to the satisfaction of the Region.
- The Nobleton Community Developer Group will be entitled to recover prepaid development charges by way of DC credits against the sewage component of the Regional DC payable at the time of subdivision(s) registration.
- An area specific Development Charge will be enacted to recover the cost of the sewage infrastructure from the buildout in the Nobleton Community.
- The Region will direct any sewer development charges collected by the Region from non-participating developers within the benefiting area to the Nobleton Community Developer Group to reduce the outstanding sewer credit obligation.

- The Developer group will be responsible for the non-growth cost of the works, equal to \$5.9 million, as the works are not included in the Region's 10 Year Capital Plan.
- The Commissioner of Transportation and Works may, if requested by the developer group, permit the Developer Group to construct the sewer works, in conformance with the general requirements of the Purchasing By-law based on conditions and principles set out by the Commissioner of Transportation and Works. In such case, Council waives the Purchasing By-law.

Roads Infrastructure

- The cost of the road widening on King Road from Highway #27 to Lynnwood Crescent is estimated at \$750,000 to be fund 100% by the Developer Group.
- The financing will be way of Letter of Credit(s), in a format satisfactory to the Regional Treasurer, provided in the following manner:
 - 50% at the time of execution of the agreement (\$375,000); and
 - 50% prior to awarding the contract for construction of the works (\$375,000).
- The final 50% of the required funding will be adjusted up or down in accordance with the tendered price, and would be required by the Region prior to proceeding to Regional Council for approval of the award. The Developer Group undertakes to provide any additional funding within 15 days of a written request from the Region, and conversely, will be refunded any project savings upon project completion to the satisfaction of the Region;
- The Commissioner of Transportation and Works may, if requested by the developer group, permit the Developer Group to construct the road works, in conformance with the general requirements of the Purchasing By-law based on conditions and principles set out by the Commissioner of Transportation and Works. In such case, Council waives the Purchasing By-law.
- Subject to review by Transportation and Works staff, the developer group will be entitled to recover a portion of the road costs through credits against the road component of the Regional Development Charge payable at the time of subdivision registration.

General Principles

- Subject to approval by Township of King Council, the Township of King shall be party to the agreement in order to ensure that all planning approvals, allocation of water and sewage servicing, the placement of appropriate restrictions on development phasing and coordinated construction of the required infrastructure are handled in the agreed manner.
- The water development charges collected in the benefiting area from the Nobleton Community Developer Group will be directed towards the financing of the required water capital works.
- It is understood that the Township of King will not issue building permits of final approvals for any phase of the development prior to receiving confirmation from the Region that adequate water and sewer capacity is available.

- The Nobleton Community Developer Group will agree to pay for the Region's legal costs (external or internal) to prepare the agreement.
- A fee equal to 0.5% of the capital cost of the works shall be payable by the Nobleton Community Developer Group for the preparation and administration of the agreement.

6. LOCAL MUNICIPAL IMPACT

The advancement of the Nobleton WPCP, pumping station, forcemain and trunk sewer and road works will facilitate the buildout of the plans of subdivisions within the Nobleton Community. The Nobleton Community Developer Group will also be approaching the Township of King to make similar financial arrangements for the provision of local infrastructure requirements.

It will be the responsibility of King Township to allocate water and sewer capacity to the Nobleton Community.

7. CONCLUSION

On January 22, 2004 Regional Council approved in principle Amendment No.57, Township of King, Nobleton Community Plan, subject to an analysis of sewer capital cost recovery through a uniform region wide or area specific development charges. Given the disproportionate cost of the sewage infrastructure compared to the DC's generated in the community to pay for the works, the fact that the works are not yet included in the Region's capital forecast, and the limited potential of encountering communities in this situation in the future, it is recommended that the current Development Charge by-law be amended in order to enact an area specific development charge by-law for sewer infrastructure cost recovery.

This report outlines the principles of a prepaid development charge credit agreement between the Region, Township of King and the Nobleton Community Developer Group, required to advance the construction timing of the Nobleton WPCP, pumping station, forcemain and trunk sewer along, with road improvements to facilitate buildout of their lands. The advanced construction of the sewage works is estimated to cost of \$12.7 million and the road works are estimated to cost of \$750,000. The Developer Group will be responsible for providing 100% of the cost of the works, estimated to be \$12.7 million and the preliminary roads design needs along King Road have indicated that road improvements estimated at \$750,000 are required.

The Senior Management Group has reviewed this report.