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Mr. Denis Kelly
Regional Clerk
Region of York
17250 Yonge Street, 4th Floor
Newmarket, ON
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Dear Mr. Kelly:

YORK REGION DEVELOPMENT CHARGES REVIEW

On behalf of BILD York Chapter, IBI Group was asked to coordinate the responses to the York Region 2012 Development Charge Background Study (February 14, 2012).

Firstly, BILD would like to acknowledge the cooperation that BILD has received from York Region staff as we have been meeting for well over a year regarding the detailed assumptions associated with the Background Study. Notwithstanding the cooperation BILD has received from York Region staff, there are still significant issues that remain outstanding.

Roads

Costing

While BILD generally understands the approach to road costing through the use of the Road Project Cost Estimating Toolkit, BILD have asked for information with respect to a number of road projects and this has been received. BILD is still however, somewhat surprised that the costs used by York Region for some of the projects that have a local area municipality component have a higher total cost than in the local area municipality background study e.g., The Highway 404 Midblock Highway Crossing between 16th Avenue and Major Mackenzie Drive have substantially different prices (York Region total cost of $19,138,560, Richmond Hill $13,830,000 total cost of the project). The 50% increase in the project cost exceeds the increase in the index over the period of 2009, which was the year the Richmond Hill background study was released, to 2012.

Further, the Town of Markham's DC includes approximately $10.5 million for the mid-block collector 404 fly-over, north of Major Mackenzie, a total that is even less than the amount Richmond Hill carried. Section 4 in Appendix G of the Richmond Hill Background Study notes that the interchange costs were anticipated to be shared 1/3 each by Richmond Hill, Markham and the Region. This isn't reflective of the costs included in the various studies (assuming Markham's 2008 costs when indexed won't be as high as the Region's current cost).

It is BILD's understanding that highway interchanges were to have been shared between municipalities and the Region. This should be reviewed for all interchanges to ensure the appropriate cost allocation has been included. For example, 19th Avenue/Highway 404 interchange is shown as a $37 million project in York Region's tables. The Town of Markham includes $18 million for a "ramp" and the Town of Richmond Hill has no specific reference to the

Hwy 404/19th Avenue interchange in their Background Study costs other than 19th Avenue road improvement costs.

As a comparison, the Region is carrying $37 million for the St. John's Sideroad interchange. The Town of Aurora has nothing in their By-Law for this interchange, which suggests that $37 million is the total cost. This would then suggest that the Region has not recognized any contribution from Richmond Hill or Markham for the 19th Avenue interchange.

Post Period Benefit - Roads

The Region's approach to post period benefit (PPB) is fairly narrow in that of the 269 road projects only 20 have been assigned a post period benefit. This is because of the approach used by Region staff is that if the level of service as expressed by the future volume/capacity ratio (V/C ratio) for the expanded or new road project is greater than or equal to the current V/C ratio than no post period benefit is allowed except for road projects scheduled in the last 5 years of the forecast period. This approach fails to take into account the fact that other road projects at the end of the planning period (2031) may still have surplus capacity to accommodate future growth. This allowance for surplus capacity at the end of the period is a major difference between the Region's approach and BILD's stated position.

An example of an existing road which should have a PPB allocation but does not according to the Region is project #83020 King Road – Highway 27 to Highway 400 which is an expansion of the existing road. Although the future V/C ratio for the peak day direction never exceeds 0.62 and averages 0.45, no PPB has been allocated to this project. Using BILD's method for calculating PPB, the PPB would be 58%.

Another example, is the new road project #85120 Donald Cousens Parkway – Highway 407 to Box Grove Bypass has not been allocated any PPB in spite of the fact that the V/C ratio of the peak direction traffic flow in the future will not exceed 0.59, and will have considerable capacity beyond the period. Using BILD's method for calculating PPB, 33% of the project would be allocated to future development (PPB).

Water and Wastewater

Post Period Benefit / Benefit to Existing

The Region has instituted a new policy for calculation post period benefit. The Region's proposed approach for sanitary forcemains, sanitary sewers and Peel and Toronto water cost share works is to calculate PPB using a marginal cost approach and to use a hybrid approach for discrete assets (which includes storage facilities, treatment plants, groundwater wells and pumping stations) where some of the costs are allocated on a marginal cost approach while the other costs are allocated on an average cost approach. BILD's position is that for <u>all</u> water and wastewater assets, post period benefit as well as benefit to existing should be calculated utilizing an average cost approach based on flows.

Specifically, BILD does not agree with the lack of sufficient benefit to existing (BTE) and/or PPB for the following projects:

YDSS Duffin Creek WPCP Phase 1 and 2 upgrade (project #72530) – This project of $261 million ($209 million after grants) has been allocated $124.5 million as growth related and $84.4 million as BTE. BILD believes that this project in its entirety should be attributable to BTE as it does not provide any additional capacity to the plant.

Upper York Sewage Solutions (UYSS) (project #74270B) – This project of $478 million has been entirely designated as growth related in the background study without BTE. The project is for the provision of a new WPCP in East Gwillimbury, BILD believes that there is approximately $100 million of work is required to upgrade the existing YDSS system to provide for redundancy and system security.

Southeast Collector (project #74040) – This project ($365 million which is all growth related), BILD reviewed this project in detail in 2010 and understands that the project it is sized to service capacity to the year of 2050. Based on the ultimate capacity of the project, it should be concluded that a portion of the $365 million growth related cost be allocated to PPB.

Flows

BILD has requested for the last 5 years that the Region examine the flow requirements incorporating the level of water conservation and wastewater flow reduction achieved and documented through monitoring. However, the DC Background Study asserts that the monitoring will occur post 2012. The DC Background Study states, "for the purpose of the 2012 Development Charge study, the unit rates from the 2009 Master Plan have been used." The Region's material in the background study show slight decreases in flow factors over the period to 2031, approximately 5%. BILD cannot yet confirm that these reductions have been incorporated into the demand / supply reconciliation. In any event, these minor adjustments fail to fully take into account the $70.6 million Water For Tomorrow initiative which should decrease flows by a more significant amount which would then have an impact on the capital program and/or post-period benefit.

Spadina Subway

Benefit to Existing

The Region's approach to benefit to existing for the Spadina Subway is to use the same formula that had been used in the 2007 Background Study (26% BTE). There were several rationales for that approach. The one that would still apply was to take Vaughan's population as of 2006 divided by the estimated population for York Region 2006.

BILD's position in 2007 and today is that the Region's approach fails to assume that existing population and employment other than the current population in Vaughan will use the subway. Clearly, the fact that the Region's is amortizing the future costs of the Subway over the entirety of the Region's growth (population and employment) would support the view that the existing population/employment in the remainder of the Region would similarly also use the subway.

BILD's suggestion in 2007 and approach today is that the benefit to existing share of subway capital growth should be based on total York Region population and employment as of 2012 (1,065,800 + 524,950 = 1,590,750) divided by the total estimated Regional population and employment in 2031 (1,489,100 + 780,000 = 2,269,100). BTE in this case would be approximately 70%.

Post Period Benefit

In addition, there is an argument for a post period benefit to allow for the fact there could be surplus capacity in the subway system to accommodate post-2031 growth. Currently the Region has not assumed any PPB to the Subway.

Transit

The benefit to existing for Transit has been reduced from 26% overall for all transit project to 5% except for equipment where there has been no allowance for benefit to existing. Further, no grants have been attributed to transit whereas grants equal to 12% of the capital gross cost were assumed in the 2007 Background Study. BILD does not understand the rationale for this reduction in benefit to existing for transit and the lack of an allowance for potential grants for further transit projects in York Region.

BILD also would like an explanation on why there have been new items included in the inventory from 2007 and land values for terminals outside of York Region have been included in the inventory for calculation of historical standard purposes. For example, the Region has included "Terminal – Go Transit – Finch" in the inventory for transit platforms. Please provide a rationale for the inclusion of this terminal.

Cash Flow

The Region of York has incorporated to BILD's suggestion to only charge half year interest for "in year" transactions. However, BILD has asked for an explanation of two new items in the cash flow analysis, Additional Debt Payments and Debt Proceeds.

Further, BILD would like an explanation of the use of 6% debt rate in some of the cash flow calculations in light of York Region's current borrowing rate as we understand it is significantly below that rate of interest.

Police Services

In the 2007 DC Background Study, BTE accounted for approximately 33% of the gross cost for the Police service. In 2012, BTE has been allocated less than 5% of the gross cost of the Police capital program. BILD does not understand the rationale for the reduction in BTE.

Long Term Care and Social Housing

The rationale for the calculation of BTE is consistent for both Long Term Care and Social Housing, yet the calculations appear to have been completed differently. The BTE for Social Housing was calculated so that 19% of the capital costs would be attributed to growth with the remaining 81% assigned to BTE. This calculation was completed correctly for Social Housing as the BTE share of the gross cost is equal to 81%. The BTE share of Long Term Care only accounts for 60% of the eligible capital cost (after accounting for the Ineligible Cost re: Level of Service). Please provide a rationale for the inconsistent calculation of BTE.

DC Credit Policy

The Region has significantly changed its policy on service in lieu DC credits. BILD's position is that there should be timely repayment and that ongoing discussions should continue that are fair to both parties recognizing that the developers front ending can serve to reduce the financial burden on the Region.

Apartment Size Threshold

The Region has implemented a new policy where it will be charging apartment units development charges based on unit size not number of bedrooms as was the previous criteria. In order to differentiate the DC among unit size, the Region has recommended that 650 square feet be the threshold. BILD is of the opinion that 650 square feet is too low and that 750 square feet is more representative.

Contingent Projects

BILD has requested the costing information for each of the contingent projects including the BTE and PPB calculations. BILD would also like to be ensured that for projects being assumed by the Region from the area municipalities DC by-law, that a coincidental reduction will occur in the area municipality development charge quantum reflecting the value of the project assumed by the Region. This would apply for other hard service projects to be assumed by the Region.

The Region has included several contingency items which must be coordinated with the appropriate municipalities to ensure there is no double counting in the DC By-Laws. For example, the Region has included 19th Avenue between Highway 404 to Woodbine Avenue. BILD understands that this road is currently owned by the Town of Markham, but will likely be transferred to the Region. The Region has included $4.9 million for a 4 lane widening. The Town of Markham also currently includes $2.8 million for the 19th Avenue reconstruction between Highway 404 and Woodbine.

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BILD would like to thank the Region for their continuing cooperation in reviewing the Development Charge policies and detailed information. Should there be any questions arising from the aforenoted questions or comments, please do not hesitate IBI Group. BILD looks forward to receiving a response to the presented concerns.

Yours truly,

IBI GROUP

Randy M. Grimes

Director

cc: Ms. Beth Kodama
BILD Working Committee, Region of York DC