ORLANDO CORPORATION

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February 29, 2012 *Via email: bill.hughes@york.ca*

Mr. Bill Hughes
Commissioner of Finance and Treasurer
York Region
17250 Yonge Street
Newmarket, Ontario L3Y 6Z1

Re: The Regional Municipality of York – Development Charges
2012 Development Charge Background Study
February 14, 2012

Orlando Corporation (Orlando) is in receipt of, and has started reviewing, the aforementioned development charge background study. To date, we have not had sufficient time to undertake a thorough review of the study but offer the following comments for consideration at the March 1st Finance and Administration Committee meeting.

Orlando is a developer of industrial and commercial properties predominantly located within the Greater Toronto Area. We have been in the land development business for over 75 years and have been deeply involved in the development charges process since their inception.

We have always approached the development charge program as a cost sharing arrangement whereby growth pays for growth, and each sector funds its fair share of costs.

We have noted the Region's intention to phase-in the new charge. This will certainly help ease the burden of this substantial increase, especially for deals already in the approvals pipeline.

However, given the scale of the increase proposed for the new by-law, our concern is that industrial development, particularly warehouse and distribution building, will not have the financial capacity to locate within the Region. Given the amount of industrial lands still available for development, especially along 400 series highways like the 427 corridor, we believe the Region should reconsider splitting the non-retail charge among industrial and office/institutional uses.

There is a fundamental principle in the Development Charges Act that a charge needs to represent the "increase in need for services". We submit that historically the Region has not met its obligations under the DCA with respect to the analysis for "need for services", in particular as it relates to the differences between office and industrial buildings.

The Region continues this position with the latest draft of the background study, in that the Office and Industrial sectors continue to pay the same charge. This approach is indefensible from a "need for service" point of view. Regional, non-residential services, funded through development charges, are largely for roads and water/wastewater which is primarily a people based design. New industrial buildings are typically being built to house product for distribution which has resulted in a continued decline in employment densities for this sector. The result is the "need for service" of a 100,000 sq. ft. industrial building is vastly different than a similarly sized office building.

Further, the cost of an office building is significantly greater than an industrial building and, as a result, the development charge has a much greater impact on the cost of an industrial building. For example, the cost, excluding development charges and land, of an office building at $185 per sq. ft. has a lower proportionate share of DC attributed to it than a $45 per sq. ft. industrial building. If the DC is $20 per sq. ft., it equates to 11% of the office cost and almost 45% of the industrial. This is not an equitable distribution of costs when considering the need for service of each.

Our suggestion to take this approach as part of the 2010 amendment by-law was disregarded. We understand this is a shift in the Region's approach to the allocation of DC's. However, given the magnitude of the proposed increase and in order to maintain competitiveness, we believe a more equitable distribution among the non-residential, non-retail development types is more than an appropriate approach at this time…it is a necessity to maintain a competitive balance both within the Region and as compared to its neighbouring counterparts.

We will continue to review the background study and we wish to engage in a constructive dialogue with the Region to help resolve this issue. To this end, it would be helpful to have more time, perhaps delaying approval of the new by-law until we have had sufficient discussion to work out an equitable solution.

Should you have any questions or comments, please contact the undersigned at any time.

Yours very truly,

ORLANDO CORPORATION

Blair Wolk, MBA, P. Eng.
Vice President

BW/aa