1
2007 DEVELOPMENT CHARGE BY-LAW

(Regional Council at its meeting on May 24, 2007 adopted this report as amended. Please refer to Council Minute No. 100)

The Finance and Administration Committee recommends:

1. **receipt of the presentation from Lloyd Russell, Commissioner of Finance and Warren Marshall, Manager of Capital and Development Financing;**

2. **receipt of the communications from Paula Tenuta, Director, Municipal Government Relations GTHBA-UDI, April 25, 2007 and Tom Halinski, Aird & Berlis, May 2, 2007;**

3. **receipt of the deputation from Fraser Nelson, on behalf of the GTHBA-UDI York Region Chapter and Metrus Properties (who filed a copy of his deputation);**

4. **adoption of recommendations 1,3,4,5 and 6 in the report (May 3, 2007) from the Commissioner of Finance;**

5. **adoption of recommendation 2 in the report (May 3, 2007) from the Commissioner of Finance subject to the second bullet being amended to read as follows:**

   " Non-Residential (Option 4): 10% increase for 6 months; Equal Phase-In to Full Cost recovery over 3.5 years; Full Cost Recovery at Phase 5; *(Subway at ½ Full Charge within one month of Royal Assent, balance on December 18, 2007 as per other charges.)"*

6. **adoption of recommendation 7 in the report (May 3, 2007) from the Commissioner of Finance, as amended to read as follows:**

   "Within six months of the adoption of the Master Plans by Council, a report be brought forward outlining the DC impacts and if the roads, transit, *water and wastewater* impacts are greater than 5%, those elements of the DC By-law be updated at that time."

7. **adoption of a further recommendation 8 as follows:**

The Commissioner of Finance forward a report to the Committee in June 2008 and every six months thereafter, unless changed by Council, outlining how the phasing is working out ─ illustrating the volume of non-residential development and development charge revenue impacts.

8. adoption of a further recommendation 9 as follows:

The Commissioner of Finance prepare a report for Council's meeting of May 24, 2007 on:

a) the impact of phasing and full-cost recovery on future budgets between 2008 and 2012;

b) the impact of the 10% increase for Residential being extended from three months (September 18, 2007) to six months (December 18, 2007); and

c) the impact of the 10% increase for Non-Residential being extended from six months (December 18, 2007) to nine months (March 18, 2008).

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council approve enactment of a Development Charge By-law to establish a revised development charge incorporating the policies and rates outlined in this report, with an effective date of June 18, 2007.

2. The recommended rates be implemented as follows:

    - Residential (Option 3): 10% Increase on June 18, 2007, Full Cost Recovery on September 18, 2007 for Singles / MDU and on December 18, 2007 for Apartments (Subway at ½ Full Charge within one month of Royal Assent, balance on September 18 / December 18, 2007 as per other charges.)

    - Non-Residential (Option 4): 10% Increase for 6 months; Equal Phase-In to Full Cost Recovery over 3.5 years; Full Cost Recovery at Phase 5.

3. The Regional Solicitor be directed to prepare the necessary Development Charge By-law for enactment at the May 24, 2007 Regional Council meeting.

4. Notice of the enactment of this by-law be given as required under the *Development Charges Act, 1997*.

5. This report be circulated to the area municipalities within York Region for information purposes.

6. Council deem that no further public meetings be required in accordance with Section 12 of the *Development Charges Act, 1997*.

7. That within six months of the adoption of the Master Plans by Council, a report be brought forward outlining the DC impacts and if the roads and transit impacts are greater than 5%, those elements of the DC of the DC By-law be updated at that time.

2. PURPOSE

Regional staff is currently in the final stages of a comprehensive review of the Region-wide Development Charge ("DC") By-law with the intention of enacting a revised DC By-law prior to June 22, 2007, the expiry date of the existing DC By-law. A Statutory Public Meeting in accordance with the *Development Charges Act, 1997* was held on April 5, 2007. Committee directed staff to review various phase-in options and to report back to Finance and Administration with alternatives. Staff was also asked to continue to meet with various industry representatives with a view to resolving as many outstanding issues as possible prior to Council review of the Development Charge Background Study and By-law. The purpose of this report is to have Council enact the proposed DC By-law reflective of input received at the public meeting, and throughout the DC By-law review process.

3. BACKGROUND

On March 22, 2007, York Region released the 2007 Draft Development Charge By-law Background Study. On April 5, 2007, the Public Meeting was held in accordance with the *Development Charges Act, 1997*. Deputations were heard at the public meeting pertaining specifically to the magnitude of the increase and the impact it would have on the development industry. The following key issues were discussed at the public meeting and through meetings with the development industry subsequent to the public meeting.

- The population and employment forecasts used in preparation of the draft background study were not based on the Places to Grow forecasts
- Outstanding Cost and Methodology Issues
- Timing of the imposition of the Proposed Rate Increases, including Transition and Phase-In Options
- Subway

In addition to the issues raised by development industry representatives, Committee directed staff to look into and report back regarding the following issues.

- Transition rules.
- How much development charges are as a percentage of overall costs.
- Competitiveness versus other municipalities.

4. ANALYSIS AND OPTIONS

This section will address the issues raised by Committee at its April meeting and also address a number of the issues raised at the public meeting.

4.1 Transitional Provisions

Presentations from industry expressed concerns both regarding the quantum of the charge and the immediate impact. The development cycle is quite lengthy especially for non-residential and apartment developments. Concerns were raised of being “caught in process” and being unable to apply for building permits and pay the existing development charge rates before the expiry of the existing by-law in June. Requests for a policy that would allow for pre-payment of development charges conditional on the building permit being issued within a fixed period of 6 to 9 months were also received.

Staff considered the development of a policy that would allow for pre-payment based upon being at certain development points with the stipulation that the pre-payments would be honoured for a period of six months to allow for a building permit to be issued. If not issued the development charges would be refunded. Creating such a policy would require the identification of every possible scenario for transition which would likely be impossible and even with such a policy some developments would likely be negatively impacted.

After considering that option, staff are proposing that instead of a myriad of transition rules, the increase be phased-in commencing in June. A regular indexing would normally occur in June and based on the 2006 year end construction index reported by Statistics Canada would be in the 8% range. Staff are recommending that the initial charge represent a 10% increase over the charge currently in place and that this charge be in place for a period of three to six months. This phase-in period allows for the completion of developments that may not be quite ready in June and represents a cost increase that would have been anticipated even without the by-law review.

In addition options are provided for consideration of a phase-in of the non-residential increase over the life of the by-law to further reduce the impact of the charge on non-residential development related to eliminating discounting.

4.2 Development Charges as a % of ICI Development Cost

Committee in April asked staff to bring forward information on the cost structure of non-residential development with an indication of the impact of development charges on the overall cost. We received cost information from several developers and we show their information in the following tables.

Example 1 – Retail Development

Existing Development Charges			Proposed Development Charges		
	$ / S.F.	%		$ / S.F.	%
Land [1]	41.30	24.0	Land [1]	41.30	22.4
Land Servicing (on and off sites)	35.00	20.4	Land Servicing (on and off sites)	35.00	19.0
Building Shell	85.00	49.5	Building Shell	85.00	46.2
Hard Cost Sub-Total	**161.30**	**93.9**	**Hard Cost Sub-Total**	**161.30**	**87.7**
York Region DC's	***7.88***	***4.6***	***York Region DC's*** [2]	***20.07***	***10.9***
Richmond Hill DC's	2.64	1.5	Richmond Hill DC's	2.64	1.4
TOTAL	**171.82**	**100.0**	**TOTAL**	**184.01**	**100.0**

1. Based on lot coverage of 25% @ $450,000 per acre.
2. Region of York Retail DC excluding subway.

If the land costs doubled, the percentage of overall retail development costs attributable to development charges drops to 8.9% in the above example.

Example 2 – Industrial Development

Existing Development Charges			Proposed Development Charges		
	$ / S.F.	%		$ / S.F.	%
Land [1]	25.00	29.2	Land [1]	25.00	27.2
Building	55.00	64.4	Building Shell	55.00	49.8
York Region DC's	***3.97***	***4.6***	***York Region DC's*** [2]	***10.51***	***11.4***
Vaughan DC's	1.54	1.8	Vaughan DC's	1.54	1.7
TOTAL	**85.51**	**100.0**	**TOTAL**	**92.05**	**100.0**

1. Based on lot coverage of 45% @ $500,000 +/- per acre.
2. Region of York Retail DC excluding subway.

If the land costs doubled, the percentage of overall industrial development costs attributable to development charges drops to 9.0% in the above example.

In both examples the increased costs of the development, at the full DC, would be approximately 7% to 7.5%.

4.3 Competitiveness versus other municipalities

The following table compares the full proposed development charges with a selection of other municipalities.

Residential

Single Family Dwelling	Pickering	Oakville	Brampton [1,2]	Vaughan [3]
Regional	$13,332	$12,078	$15,684	$21,287
Municipal	$9,207	$10,911	$16,214	$9,568
School Board	$1,295	$1,600	$1,903	$1,670
Total	**$23,834**	**$24,589**	**$33,801**	**$32,525**

1. Regional charge blends single family and multiple unit dwellings.
2. Regional rates per draft background study dated March 27, 2007.
3. Assumes subway DC in effect.

Non-Residential

Non-Retail per square foot	Pickering	Oakville	Brampton [1]	Vaughan [2]
Regional	$0.00	$5.93	$5.42	$11.11
Municipal	$2.50	$5.08	$3.40	$1.54
School Board	$0.00	$0.44	$0.42	$0.26
Total	**$2.50**	**$11.45**	**$9.24**	**$12.91**

1. Regional rates per draft background study dated March 27, 2007.
2. Assumes subway DC in effect.

Retail per square foot	Pickering	Oakville	Brampton [1]	Vaughan [2]
Regional	$5.02	$9.15	$7.80	$22.23
Municipal	$2.50	$5.08	$5.23	$1.54
School Board	$0.00	$0.44	$0.42	$0.26
Total	**$7.520**	**$14.67**	**$13.45**	**$24.03**

1. Regional rates per draft background study dated March 27, 2007.
2. Assumes subway DC in effect.

4.4 Discounting and its Impact on the New Rates

Currently, the non-residential rates are discounted and collect only a portion of the growth-related costs allocated to that sector of growth. The current square footage rates of $3.97 for commercial compares to a full non-discounted rate of $6.47 and the retail rate of $7.88 compares to a full non-discounted rate of $16.19.

The rates determined in the background study reflect both the elimination of the existing discount and applying the updated rates from the new study. The impact of eliminating the discounting is an increase of 38.6% and 105.5% to the non-retail and retail rates respectively.

Moving to full growth recovery will reduce future property tax and water rate pressures on all taxpayers. It will do so by transferring the debt responsibility for growth related works from the tax and rate base to development charges.

The elimination of discounting may also impact the pace of development for those sectors. Earlier sections outlined the impact of increased development charges on the cost of development.

4.5 Population and Employment Forecasts

UDI/GTHBA expressed concerns that York Region was not using the Places to Grow forecast in calculation of the proposed development charge rates. There is a difference of approximately 90,000 people and 85,000 jobs between the current forecast versus the Places to Grow forecast. Use of the Places to Grow forecast would result in lower rates, for Roads and transit, however that would occur only if the projected growth required no additional capital program costs.

York Region has indicated that it is currently updating its various infrastructure Master Plans. These Master Plan updates will determine the infrastructure requirements to meet the Places to Grow forecasts. Staff has indicated that once these Master Plan updates are complete, a review will be done to determine whether or not any amendments to the Development Charge rates would be necessary.

Since the forecasted capital expenditures included in the background study are not based on the Places to Grow forecasts, it would be inappropriate to use Places to Grow population figures to calculate a development charge at this time.

Staff recommend that within six months of the adoption of the Master Plans by Council, a report be brought forward outlining the DC impacts and if the roads and transit impacts are greater than 5%, those elements of the DC of the DC By-law be updated at that time.

4.6 Outstanding Cost and Methodology Issues

Staff have had ongoing meetings with development proponents to review and discuss various cost issues and assumptions used in the Draft Background Study. These meetings have continued after the Public Meeting on April 5th. Staff have updated various assumptions in the Draft Background Study based on input received from Industry and from a peer review. These changes have resulted in the following revised full cost recovery rates.

REVISED Proposed Residential Development Charge Rates – Full Cost Recovery

	Single and Semi-Detached	Multiple Unit Dwelling	Apartments	
			2 or more Bedroom	Less than 2 Bedrooms
Hard Services				
Water	$2,773	$2,298	$1,732	$1,117
Sewer *	$8,621	$7,143	$5,386	$3,473
Roads	$7,203	$5,969	$4,501	$2,902
Subtotal - Hard	$18,597	$15,410	$11,619	$7,492
Transit	$404	$323	$238	$163
General Services				
Police	$264	$211	$156	$106
EMS	$56	$45	$33	$23
Growth Studies	$29	$23	$17	$12
Long Term Care	$178	$143	$105	$72
Public Health	$51	$41	$30	$20
Public Works	$67	$54	$40	$27
Subtotal - General	$645	$517	$381	$260
GO Transit **	$296	$233	$171	$108
Total Excl. Subway	$19,942	$16,483	$12,409	$8,023
Subway***	$1,345	$1,114	$840	$542
Total	**$21,287**	**$17,587**	**$13,249**	**$8,565**

* - Rates do not apply to the Nobleton community.
** - Not subject to this review.
*** - Not imposed until revised DC legislation is adopted
(Note: The GO Transit and the Nobleton Sewer rates are those in effect as of the preparation of this background study.)

REVISED Proposed Non-Residential Development Charge Rates – Full Cost Recovery
Per Square Foot of Gross Floor Area

	Industrial / Office / Institutional	Retail	Average Non-Residential
Water	$2.33	$2.47	$2.36
Sewer*	$4.36	$4.81	$4.46
Roads	$3.42	$11.83	$5.28
Transit	$0.17	$0.64	$0.28
General	$0.23	$0.32	$0.25
Total Excl. Subway	$10.52	$20.07	$12.63
Subway**	$0.59	$2.16	$0.94
Total	**$11.11**	**$22.23**	**$13.57**

* - Rates do not apply to the Nobleton community.
** - Not imposed until revised DC legislation is adopted
(Note: The Nobleton Sewer rates are those in effect as of the preparation of this background study.)

4.7 Timing of the Proposed Rate Increases - Options

Several deputations were heard at the Public Meeting expressing concern over the timing and magnitude of a proposed DC Rate increase. Staff was directed to review the proposed full cost recovery rates for both residential and non-residential development as compared to the current development charge rates and prepare various transitional or phase-in options for Council to review.

Table 1
Potential Residential Development Charge Rate Phase-In Options

	Single / Semi	MDU	2 + Apartments	< 2 Apartments
Current Rate [1]	$15,953	$13,613	$9,986	$6,352
Full Cost Recovery Rate [1,2]	$19,646	$16,250	$12,238	$7,915
Subway Rate	$1,345	$1,114	$840	$542
Option 1 – Full Cost Recovery on June 18, 2007				
Option 1 – June 18, 2007				
Full Cost Recovery Rate [1,2]	$19,646	$16,250	$12,238	$7,915
Subway Rate	$1,345	$1,114	$840	$542
Total	**$20,991**	**$17,364**	**$13,078**	**$8,457**
Option 2 – 10% Increase on June 18, 2007, Full Cost Recovery on September 18, 2007 for Single/ Semi and MDU and on December 18, 2007 for Apartments (Subway at full charge within one month of Royal Assent.)				
Option 2 [1,2]				
Phase 1 – June 18, 2007	$17,548	$14,974	$10,984	$6,987
Phase 2 – September 18, 2007	$19,646	$16,250	$10,984	$6,987
Phase 3 – December 18, 2007	$19,646	$16,250	$12,238	$7,915
Total Phase 3 with subway	**$20,991**	**$17,364**	**$13,078**	**$8,457**

	Single / Semi	MDU	2 + Apartments	< 2 Apartments
Option 3 – 10% Increase on June 18, 2007, Full Cost Recovery on September 18, 2007 for Singles / MDU and on December 18, 2007 for Apartments (Subway at ½ Full Charge within one month of Royal Assent, balance on September 18 / December 18, 2007 as per other charges.)				
Option 3 [1,2]				
Phase 1 – June 18, 2007	$17,548	$14,974	$10,984	$6,987
With ½ subway	**$18,221**	**$15,531**	**$11,404**	**$7,258**
Phase 2 – September 18, 2007	$19,646	$16,250	$10,984	$6,987
With full subway / ½ subway	**$20,991**	**$17,364**	**$11,404**	**$7,258**
Phase 3 – December 18, 2007	$19,646	$16,250	$12,238	$7,915
With full subway	**$20,991**	**$17,364**	**$13,078**	**$8,457**

Notes:
1. Region-wide charge only. Excludes GO Transit.
2. Excludes Subway.

In an effort to deal with transition issues staff recommend Option 3, which allows for a phasing of both the rates and the implementation of the new subway charge with the full rate being in place before year-end. Discussions with the industry indicate that there are greater timing issues related to high-rise development and the approval process and accordingly staff is recommending a longer phase-in period for those developments.

In accordance with the *DC Act*, the revenue shortfall resulting from these phasing options must be recovered from non-DC sources, i.e., tax levy and user rates.

As part of the preparation of the draft background study, staff examined various scenarios that include elimination or reduction of the current DC discounts on non-residential development. The following outlines some examples of potential strategies to reduce / eliminate this discount and the associated impact on capital cost recovery.

The impacts of the non-residential phasing is shown in the following table:

Table 2
2007 Development Charge By-law
Non-Residential Rate Phase-In Options

Current	Non-Retail	Retail
Rates:	$3.97	$7.88
Discounting:	Tax Levy: $20 M / year	User Rates: $32.5 M / year

Option 1: Equal Phase-In To Full Cost Recovery Over 5 Years; Full Cost Recovery at Phase 5

Phase:	Phase In Dates:	Non-Retail Rate:	Retail Rate:
1	June 18, 2007 to June 17, 2008	$5.32	$10.33
2	June 18, 2008 to June 17, 2009	$6.63	$12.78
3	June 18, 2009 to June 17, 2010	$7.92	$15.23
4	June 18, 2010 to June 17, 2011	$9.22	$17.67
5	June 18, 2011 to June 17, 2012	$10.52	$20.08
	Average Discount at Phase 5	Tax Levy: $0 M	User Rates: $0 M

Option 2: 10% Increase for 6 months; Equal Phase-In to Full Cost Recovery over 4.5 years; Full Cost Recovery at Phase 5,

Phase:	Phase In Dates:	Non-Retail Rate:	Retail Rate:
1	June 18, 2007 to December 17, 2007	$4.40	$8.67
2	December 18, 2007 to June 17, 2009	$5.94	$11.53
3	June 18, 2009 to June 17, 2010	$7.46	$14.38
4	June 18, 2010 to June 17, 2011	$8.99	$17.23
5	June 18, 2011 to June 17, 2012	$10.51	$20.04
	Average Discount at Phase 5	Tax Levy: $0 M	User Rates: $0 M

Option 3: 10% Increase for 6 months; Equal Phase-In To Increased Recovery (90%) Over 4.5 Years; Full Cost Recovery Rates for Roads at Phase 5, Water/Sewer 90% Recovery.

Phase:	Phase In Dates:	Non-Retail Rate:	Retail Rate:
1	June 18, 2007 to December 17, 2007	$4.40	$8.67
2	December 18, 2007 to June 17, 2009	$5.48	$11.02
3	June 18, 2009 to June 17, 2010	$6.54	$13.38
4	June 18, 2010 to June 17, 2011	$7.61	$15.72
5	June 18, 2011 to June 17, 2012	$8.69	$18.04
	Average Discount at Phase 5	Tax Levy: $0 M	User Rates: $17 M

Option 4: 10% Increase for 6 months; Equal Phase-In to Full Cost Recovery over 3.5 years; Full Cost Recovery at Phase 5.

Phase:	Phase In Dates:	Non-Retail Rate:	Retail Rate:
1	June 18, 2007 to December 17, 2007	$4.40	$8.67
2	December 18, 2007 to December 17, 2008	$5.94	$11.53
3	December 18, 2008 to December 17, 2009	$7.46	$14.38
4	December 18, 2009 to December 17, 2010	$8.99	$17.23
5	December 18, 2010 to June 17, 2012	$10.51	$20.04
	Average Discount at Phase 5	Tax Levy: $0 M	User Rates: $0 M

In order to help offset transitional issues staff recommend that there be an immediate increase that is restricted to 10%. The further phasing can be to a full recovery within the 5 year period (Option 2 or Option 4) or phasing to a 90% level (Option 3). The advantage of Options 2 and 4 is that by the end of the 5 year by-law all discounting is eliminated. The advantage of Option 3 is that the existing level of discounting is reduced and there is an ability over that period to assess the impact on development. If Option 3 were to be considered it would be understood that the following by-law would move toward full recovery.

4.8 Spadina Subway Extension

In the initial report in April staff indicated the following:

> "it is proposed that the imposition of the subway DC rates would not commence until the revised legislation has been enacted by the Province. If the regulations alter the calculation and result in a lower DC rate, an amendment to the rates would be brought forward."

The regulations have not yet been issued nor has the legislation been proclaimed.

If the legislation is enacted in the near future the implementation of the subway charge being proposed will reduce the recommended phasing impacts. Accordingly, it is recommended that the subway charge also be phased in with one-half of the charge being levied thirty days following the proclamation of the legislation and the full charge being levied in accordance with the options outlined for residential and on December 18, 2007 for non-residential.

4.9 Staff Recommendation on Phasing

For residential development, staff is recommending Option 3 - that residential rates be phased in as follows: an increase of 10% June 18th with the balance of the increase imposed September 18, 2007 for Single / Semi and MDUs and on December 18, 2007 for Apartments. The subway would be phased in by 50% thirty days after the legislation is proclaimed and the balance on September 18, 2007 and December 18, 2007 for Single / Semi, MDUs and Apartments respectively.

For non-residential development, staff is recommending Option 4 - that non-residential rates be phased in as follows: an increase of 10% June 18th; and a subsequent equal phase-in to full cost recovery over 3.5 years.

5. FINANCIAL IMPLICATIONS

Development charges are a major source of funding for York Region's $8.7 billion growth-related capital program for the 2007 to 2031 term.

Council's decision regarding the non-residential rate structure will determine the amount of the annual subsidy provided towards the growth-related infrastructure through tax levy and user rates, and will impact future budgets and levy requirements.

The decision regarding the methodology to use for Transit development charge calculations will impact the affordability of continued expansion of transit services throughout York Region.

DC By-law update will allow York Region to more adequately recover growth-related infrastructure costs from development creating the need for the infrastructure.

The foregone revenue of the various phase-in options for both residential and non-residential are as follows:

Foregone Revenues - Residential

Option 1 – Full Cost Recovery	$0 Million
Option 2 – 10% Increase in June, balance for Single / Semi Sept. 17, 2007, Apartments Dec. 17, 2007	$6.4 Million
Option 3 – 10% Increase in June, ½ subway charge; Full rates for Single / Semi Sept. 17, 2007, Apartments services Dec. 17, 2007	**$8.1 Million**

Foregone Revenues – Non-residential

Summary – Options:

Option 1	Equal Phase-In To Full Cost Recovery Over 5 Years
Option 2	10% Increase For 6 Months; Equal Phase-In To Full Cost Recovery Over 4.5 Years
Option 3	10% Increase for 6 months; Equal Phase-In To Increased Recovery (90%) Over 4.5 Years; Full Cost Recovery Rates for Roads at Phase 5, Water/Sewer 90% Recovery. Rates increase by 10% in Phase 1, equal increases afterward
Option 4	10% Increase For 6 Months; Equal Phase-In To Full Cost Recovery Over 3.5 Years

Revenue – Non-Residential Foregone over 5 year the term of the by-law			
Option:	Non-Retail	Retail	**Total**
1	$82.1 Million	$43.7 Million	**$128.8 Million**
2	$91.9 Million	$48.7 Million	**$140.6 Million**
3	$122.8 Million	$58.4 Million	**$181.1 Million**
4	$65.6 Million	$34.9 Million	**$100.5 Million**

6. LOCAL MUNICIPAL IMPACT

Development charges are a significant source of funding for York Region's growth-related capital programs. The completion of these capital infrastructure works facilitates the co-ordinated build-out of proposed developments within the area municipalities. The DC Background Study forms the basis for the long term infrastructure planning and a co-ordinated growth management approach. The change in rates will create an increased short term workload increase if a phase-in or transition process is not implemented as there will be a push to obtain building permits before the increases are in effect.

7. CONCLUSION

It is recommended that Council approve the enactment of a revised DC By-law, with an in-force date of June 18, 2007. It is also recommended that the DC rates be imposed based on Option 3 for residential and Option 4 for non-residential development, as outlined in this report, and summarized in Attachment 1.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause is attached to this report.)