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PREPAID DEVELOPMENT CHARGE CREDIT AGREEMENT PRINCIPLES SHARON TRUNK SEWER TOWN OF EAST GWILLIMBURY

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated September 8, 2010, from the Commissioner of Finance and the Commissioner of Environmental Services.

1. RECOMMENDATIONS

It is recommended that:

1. Regional staff be authorized to proceed with negotiating the terms of a prepaid development charge credit agreement with the Sharon Developer Group in the Town of East Gwillimbury for the accelerated construction of the Sharon Trunk Sewer, at an estimated total project cost of \$10.5 million.
2. The Commissioner of Environmental Services may at their discretion, permit the Developer Group to deliver any portion of the Sharon Trunk Sewer which may be subject to a fixed price contract, at an estimated cost of \$10.5 million, in conformance with the general requirements of the Region's Purchasing By-law.
3. The Regional Chair and Clerk be authorized to execute the agreement for the advanced construction of the Sharon Trunk Sewer subject to the proposed principles and receipt of funding from the Sharon Developer Group as outlined in this report and subject to the prior review of Legal Services.

2. PURPOSE

The purpose of this report is to obtain Council authorization to permit Regional staff to negotiate the terms of a prepaid development charge credit agreement with the Sharon Developer Group. This prepaid development charge credit agreement would advance the construction timing of Regional infrastructure required for the development of their lands, at an estimated cost of \$10.5 million. The report further seeks authorization to potentially permit the Sharon Developer Group to deliver any portion of the Sharon Trunk Sewer, which may be subject to a fixed price contract, in conformance with the general requirements of the Regional Purchasing By-law. Finally, subject to prior review, the report authorizes the Regional Chair and Clerk to execute the agreement in accordance with the principles and funding outlined in Attachment 1.

3. BACKGROUND

In order to proceed with the servicing of the Sharon Developer Group's subdivisions, sufficient sanitary sewage servicing capacity, water servicing capacity and road capacity must be made available. This requires the extension of the York Durham Sewage System (YDSS), the Queensville Elevated Tank, Sharon Trunk Sewer and the extension of Highway 404.

The Holland Landing, Queensville and Sharon Developer Groups have requested that the construction of the sewage servicing for the YDSS be advanced through a prepaid development charge credit agreement, for which the developer groups have executed the agreement and have now funded a portion of the costs in accordance with the agreement. The Region has programmed the works in its capital plan and is taking the necessary steps to provide other water and road servicing infrastructure in accordance with timelines set out in Regional Master Plans and Budgets.

The Sharon Trunk Sewer was recently assumed by the Region and was included in the Region's Master Plans and Development Charges By-law. The Sharon Trunk Sewer has been included in the Region's 2010 10 Year Capital Plan. Accordingly, the Sharon Developer Group has requested that the Sharon Trunk Sewer also be advanced through pre-payment of sewage development charges.

4. ANALYSIS AND OPTIONS

Sharon Community Plan consist of 1,939 units and a forecasted population of 12,100

An update to the Sharon Community Plan (OPA 122) was approved by the Region on February 17, 2005 increasing the forecast population to 9,200 persons. The majority of the new development is anticipated to occur in the west portion of the community, located west of Leslie Street. On February 23, 2010 a further amendment to the Sharon Community Plan (OPA 130) was approved by the Region, increasing the population forecast to 12,100 persons. All new development is required to be serviced by municipal sanitary sewage facilities and municipal water supply, in accordance with the policies of the Sharon Community Plan.

Table 1 noted below identifies the anticipated development in the western portion of Sharon, whose owners/applicants have expressed an interest in being party to the Pre-paid Development Charge Credit agreement.

Table 1
Anticipated Development Details for Sharon Community

Owner/Applicant	Subdivision Number	Developable Area (ha)	Total Units
Dorzil Developments (West) Ltd.	19T-07E02	39.95	396
Delmark Investments Co. Ltd.	19T-08E01	39.72	302
Yorkwood Homes (Sharon) Limited	19T-08E02	20.64	193
Wycliffe Thornridge Sharon Limited	19T-08E05	16.93	378
Sharonvit Estates Inc.	19T-08E04	28.40	315
West Sharon Holdings Inc.	19T-08E03	32.58	355
Total		178.22	1,939

All of the above noted plans of subdivision received draft plan approval from the Town of East Gwillimbury on April 6, 2010. Included in the conditions of draft plan approval is a requirement that prior to final approval the owner execute a Pre-paid Development Charge Credit Agreement with York Region to advance the timing of construction for the Regional Sharon Trunk Sewer. In addition, conditions of draft plan approval require that York Region confirm that adequate water supply and sewage servicing capacity are available and have been allocated by the Town of East Gwillimbury for the proposed development. East Gwillimbury set aside a total of 1,126 units of servicing allocation for the first phase of development at the time of draft approval which is subject to the completion of a number of different Regional infrastructure triggers which were identified in the conditions of draft approval.

The Sharon Trunk Sewer will facilitate servicing requirements in the Sharon Community

Construction of the Sharon Trunk Sewer will facilitate servicing of development in Sharon through connection to the YDSS. While the Sharon Trunk Sewer will be sized to accommodate the ultimate build-out scenario, the current downstream conveyance capacity constraint limits the combined sewage capacity for Holland Landing, Queensville and Sharon to 5,465 units. Upon approval of a water conservation plan, the Region may at its sole discretion assign additional units to the Town of East Gwillimbury. The Town will allocate any additional servicing capacity to individual developers and/or developer groups. Any further capacity assignment beyond 5,465 units plus the potential adjustment for water conservation will require the Upper York Sewage Solutions project, currently at the Environmental Assessment stage.

5. FINANCIAL IMPLICATIONS

The Sharon Developer Group has provided funding in accordance with the YDSS Extension Prepaid Development Charges Agreement. In order for the Sharon Developer

Group to proceed to develop their community they have also proposed to provide financing to advance the construction timing of Sharon Trunk Sewer.

As the Sharon Developer Group has already entered into an agreement to advance the extension of the YDSS, the recovery of their funding for the Sharon Trunk Sewer will only commence after full credits have been achieved on the YDSS extension. The Sharon Developer Group's recovery of this portion coupled with the YDSS extension will take several years into the future.

Subject to receipt of all necessary planning approvals, *Attachment 1* details the proposed principles of the prepaid development charge credit agreement between the Town of East Gwillimbury, Sharon Developer Group and the Regional Municipality of York required to advance the associated sewage servicing infrastructure.

6. LOCAL MUNICIPAL IMPACT

The advancement of the York Durham Sewage System Extension and the Sharon Trunk Sewer and other servicing infrastructure described in this report will facilitate the servicing of the plans of subdivisions within the Sharon Community. It will be the responsibility of the Town of East Gwillimbury to allocate sewer capacity to the Sharon Communities.

7. CONCLUSION

This report outlines the proposed principles of a prepaid development charge credit agreement between the Region, Town of East Gwillimbury and the Sharon Developer Group, required to advance the construction timing of the Sharon Tank Sewer. The advanced construction of the Sharon Trunk Sewer is estimated at \$10.5 million. These works are required to permit the development of the lands within the Sharon community.

The Sharon Developer Group will be responsible for providing funding in the form of prepaid development charges for the Sharon Trunk Sewer in accordance with the proposed principles set out in this report.

For more information on this report, please contact Kelly Strueby, Director of Business Planning and Budgets at ext. 1611 or Daniel Kostopoulos, Director Capital Planning and Delivery.

The Senior Management Group has reviewed this report.

(The two attachments referred to in this clause are attached to this report.)

**SHARON TRUNK SEWER
TOWN OF EAST GWILLIMBURY
PREPAID DEVELOPMENT CHARGE CREDIT AGREEMENT
SHARON COMMUNITY PRINCIPLES**

From a Regional perspective the key wastewater infrastructure requirements regarding the development of the Sharon Community Plans are the extension of the YDSS Trunk Sewer, the Sharon Trunk Sewer and other down stream infrastructure required for wastewater servicing.

The following plans of subdivision located in west Sharon received draft plan approval on May 26, 2010 and as a condition of draft plan approval require municipal sanitary servicing:

19T-07E02 - Dorzil Developments (West) Ltd.

19T-08E01 - Delmark Investments Co. Ltd.

19T-08E02 - Yorkwood Homes (Sharon) Limited

19T-08E05 – Wycliffe Thornridge Sharon Limited

19T-08E04 - Sharonvit Estates Inc.

19T-08E03 - West Sharon Holdings Inc.

The Region recognizes that the Sharon Developer Group members are all signatories in good standing to the YDSS Development Charge Credit Agreement for the Extension of the YDSS Trunk Sewer to the Town of East Gwillimbury, which currently is expected to be completed by December 2012.

Subject to receipt of all necessary approvals, the following are the proposed principles of the proposed prepaid development charge credit agreement:

Town of East Gwillimbury

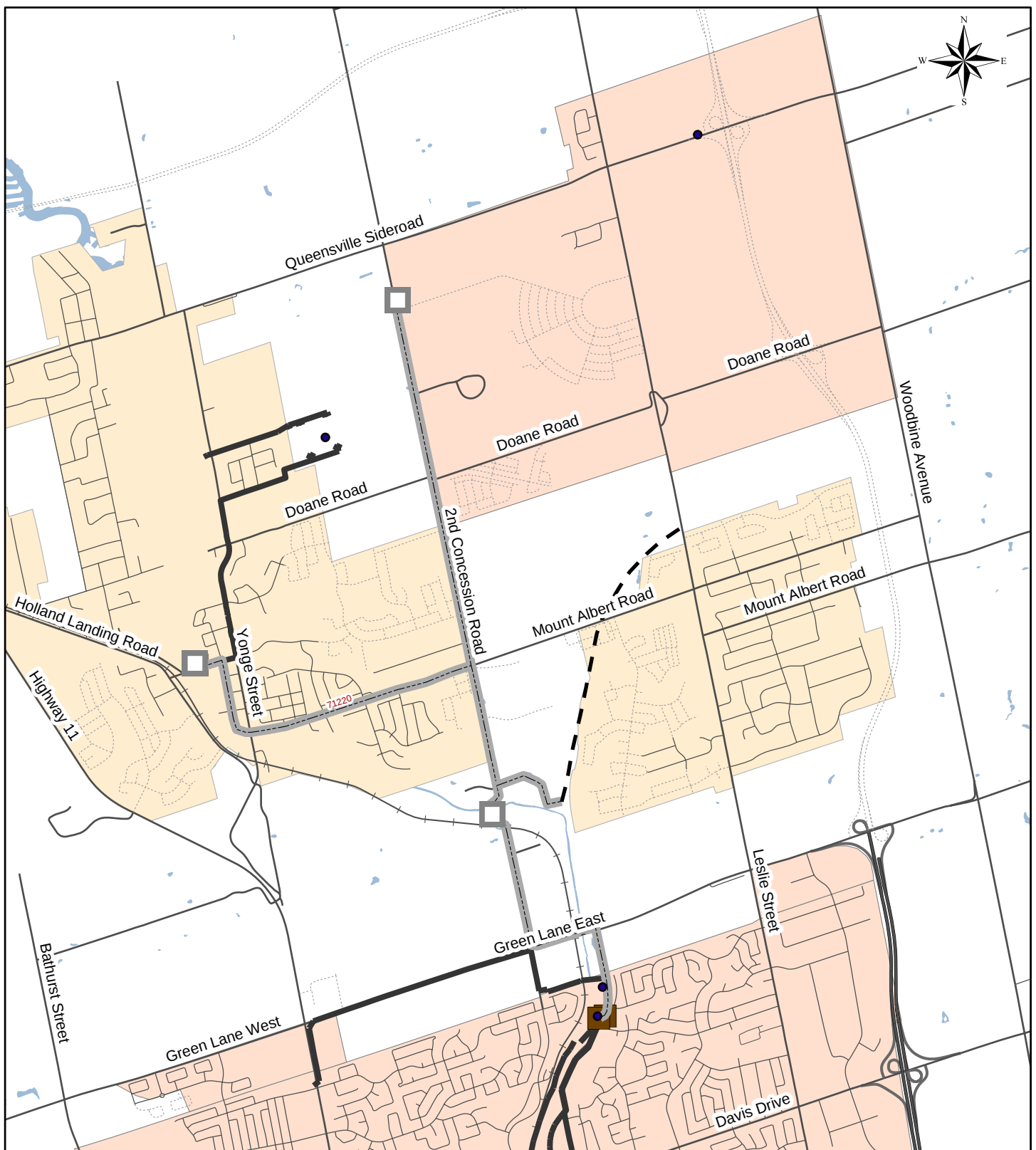
1. Subject to Town of East Gwillimbury Council approval, the Town of East Gwillimbury will be party to the agreement for the purposes of achieving the necessary planning approvals and servicing allocation for the subject lands.

Regional Municipality of York

2. The Region will undertake to deliver any portion of the Sharon Trunk Sewer, (from the terminus of the YDSS Extension (Sharon Branch) to the west side of Leslie Street), including Environmental Assessment, detailed design, tendering and administration of construction (see Attachment 2);

3. The Commissioner of Environmental Services may, if requested by the Sharon Developer Group, permit the developer group to deliver any portion of the Sharon Trunk Sewer works which may be subject to a fixed price contract;
4. If such approach is approved, the Sharon Developer Group shall deliver the sewer works in conformance with the general requirements of the Region's Purchasing By-law, in accordance with any conditions and principles set out by the Commissioner of Environmental Services, which shall include a Project Delivery Proposal, prepared by the developer group;
5. The Commissioner of Environmental Services may include costs incurred by the developer group relating to the Sharon Trunk Sewer project as part of the Total Project Cost;
6. These costs will be eligible for wastewater development charge credits on the basis that the costs are relating to the ultimate approved design of the Project and are deemed not to be throw-away costs;
7. The Sharon Developer Group will be responsible for financing 100% of all the costs associated with construction, engineering (internal and/or external), property acquisition etc., for this project, estimated at \$10.5 million. These costs will form part of the Total Project Cost and, subject to Principles Number 6 and 14, will be eligible for recovery;
8. The Sharon Developer Group will be responsible for securing the capital cost of the Sharon Trunk Sewer estimated at \$10.5 million in accordance with the following schedule and subject to the satisfaction of Commissioner of Finance:
 - a. 10% prior to execution of the agreement (\$1.05 M)
 - b. 40% prior to issuance of construction tender (\$4.2 M)
 - c. 50% prior to awarding the contract for construction of the works (\$5.25 M)
9. The final 50% of the required funding will be adjusted up or down in accordance with tendered price, and would be required by the Region prior to proceeding to the award of the project;
10. The Sharon Developer Group undertakes to provide any additional funding within 30 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;
11. The Sharon Developer Group will agree to pay for the Region to engage an external Project Manager to administer on behalf of the Region all aspects of the delivery of Sharon Trunk Sewer from project initiation to Total Performance of the construction contract.

12. The Sharon Developer Group will be eligible to recover the growth component of the cost of the works, by way of credits against the wastewater component of the Regional development charge at time of subdivision(s) registration, site plan approval and/or building permit issuance;
13. The Region will direct any wastewater development charges collected in the benefiting area to the Sharon Developer Group to reduce the outstanding wastewater credit obligation, on an annual basis commencing on the effective date of the Development Charge Credit Agreement;
14. In the case where the Sharon Trunk Sewer Benefiting Area is included within another defined benefiting area, the preceding Benefiting Area payment shall be made towards the parties of that agreement until their wastewater credit obligation has been reduced to nil and any further collections shall be directed to the Sharon Developer Group;
15. The Developer Group will be eligible to recover the share of non-growth costs; upon Total Performance of the works and subject to the satisfaction of Commissioner of Environmental Services;
16. In acknowledgement of the long-term recovery of wastewater development charge credits by the Sharon Developer Group pursuant to both the YDSS Trunk Sewer and Sharon Trunk Sewer DC Credit Agreements, upon Council annually indexing the Development Charge By-law, the outstanding wastewater development charge credit will be indexed annually in accordance with StatsCan non-residential index or subject to the terms of the agreement;
17. The Sharon Developer Group shall pay for the Region's legal costs to prepare the agreement; and
18. A fee equal to 0.5% of the capital cost of the works shall be payable to the Region by the Sharon Developer Group for the preparation and administration of the agreement.



LOCATION PLAN

Proposed Sharon Sewer

- Proposed Sharon Sewer
- Region's YDSS Extension to East Gwillimbury
- Existing YDSS