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DEVELOPMENT CHARGE CREDIT REQUEST STATE FARM INSURANCE COMPANY LESLIE STREET (NORTH OF WELLINGTON STREET) AND WELLINGTON STREET (WEST OF LESLIE STREET) TOWN OF AORA

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated August 27, 2010, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. Council authorize a development charge ("DC") credit in the amount of $1,662,196 for the growth-related component (development charges) and a recovery of $185,463 for the non-growth component (tax levy) of the proposed road improvements undertaken by State Farm Insurance Company in the Town of Aurora, subject to completion of the works to the satisfaction of the Commissioner of Transportation Services.

2. The Regional Treasurer be authorized to fund the growth component of the development charge credit regarding the noted works totalling $1,662,196 from Regional road DC's collected within the area to date.

2. PURPOSE

The purpose of this report is to authorize a development charge credit for road works performed by State Farm Insurance Company for the road improvements on Leslie Street (north of Wellington Street) and Wellington Street (west of Leslie Street) in the Town of Aurora in advance of the construction timing projected in the Regional Roads Capital Program. This report also seeks authorization to fund credits approved by Council from road development charges collected from road DC's collected within the area.

3. BACKGROUND

At its May 9th and May 23rd, 1996 meetings, Regional Council approved a detailed DC credit policy for capital works undertaken by the developer in advance of the planned reconstruction program (subsequently amended June 23, 2003 as part of the passing of Regional DC By-law No. DC-0005-2003-050).

State Farm Insurance Company has forwarded a request to the Region's Transportation Services Department for the consideration of DC credits for the road improvements on Leslie Street (north of Wellington Street) and Wellington Street (west of Leslie Street) in the Town of Aurora *(Attachment 1).*

4. ANALYSIS AND OPTIONS

State Farm Insurance Company has requested a DC Credit of $2,571,784

State Farm Insurance Company has developed a non-residential subdivision in the Town of Aurora. In order to proceed with the development of the lands, the developer group was required to undertake road improvements on Leslie Street (north of Wellington Street) and Wellington Street (west of Leslie Street) in the Town of Aurora in accordance with the planned reconstruction program at an estimated cost of $2,571,784. These road improvements have been incorporated in the Region's 10 Year Capital Program for the year 2015.

Discussions as to the development charge credit amount were carried out between the applicant and Regional staff, and the applicant has agreed to the amount.

5. FINANCIAL IMPLICATIONS

Subdivision lands benefiting from road improvements totals 36.2 hectares of non-residential land

The subject non-residential subdivision benefiting from the road improvements is comprised of a total of 36.2 hectares of land. Buildout of this subdivision would result in regional development charges of approximately $22.5 million of which $7.7 million pertains to the roads component of the charge.

The Region's Transportation Services Department has reviewed the request submitted by State Farm Insurance Company in accordance with the approved DC credit policy, and has determined that $1,888,859 of the total value of the road improvements is eligible for consideration through the DC credit process *(Attachment 2).*

Proposed total DC Credit of $1,847,659 be permitted

State Farm Insurance Company, the applicant for the development charge credit request, has indicated to Regional staff that the property was purchased and developed for the sole intention of creating a new Canadian Head Office on the site. Although the site has been planned for potential future expansion to the Head Office and for other small development opportunities, the development plans for these lands are long term, post 20 years. Accordingly, it is proposed that a payment of $1,847,463 be permitted to State

Farm Insurance Company. The payment is comprised of $1,662,196 (90%) for the growth component of the works and $185,463 (10%) for the non-growth component. As the subdivision has been built out, and the road DC's for these subdivisions have been paid in full, it is recommended that the growth-related component be funded from Regional road DC's collected from development within the area prior to approval of the road DC credits.

These road improvements are currently included in the Region's 10 year Capital Program in the year 2015. In accordance with the DC credit policy, in order to advance the road works from the planned construction timing, the developer will be responsible for a share of the non-growth component of the works. This provides for a discounting of the non-growth component of the works when construction of the works is advanced prior to the timing proposed in the Region's 10 year capital program. Attachment 3 outlines the non-growth discounting methodology associated with this request.

Therefore, it is proposed that a reimbursement for the growth-related component of the works in the amount of $1,662,196 (90%) and $185,463 (10%) for the non-growth component be permitted. The developer has been contacted and is in agreement with the credit amount.

The non-growth component (tax levy) of the works is provided for in the 2010 Roads Capital Budget. The developer is entitled to recover the non-growth component of $185,463 for the works. The combined year to date (for 2010) cumulative impact of the non-growth component of DC Credits proposed and/or approved by Finance and Administration Committee and Council is $478,526.

6. LOCAL MUNICIPAL IMPACT

The proposed road improvements will benefit the Town of Aurora in terms of improving traffic flow along the roadways of Leslie Street and Wellington Street. These road improvements also facilitate the buildout of the subdivision in the Town of Aurora.

7. CONCLUSION

The DC credit request submitted by State Farm Insurance Company has been reviewed in accordance with the approved DC credit policy. It is proposed that subject to completion of the road improvements, on Leslie Street (north of Wellington Street) and Wellington Street (west of Leslie Street), to the satisfaction of the Commissioner of Transportation Services, the developer be eligible for a growth recovery of the roads DC credit of $1,662,196 (90%) to be funded from the Regional roads DC previously collected and a non-growth cost recovery of $185,463 (10%) from tax levy.

For more information on this report, please contact Kelly Strueby, Director of Business Planning and Budgets at ext. 1611 or Beth Kodama, Manager of Capital and Development Financing at ext. 1699.

The Senior Management Group has reviewed this report.

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

November 4, 2009 File No. 25180/25234

Mr. Faris Georgis, Director,
Infrastructure, Design and Construction Branch
Transportation and Works Department
Regional Municipality of York
17250 Yonge Street, Box 147
Newmarket, ON
L3Y 6Z1

Dear Mr. F. Georgis:

Re: Application for Development Charge Credit
Whitwell/ State Farm Subdivision
Leslie Street, Aurora
Region File No. D19 03.001.A
Town of Aurora, Regional Municipality of York

On behalf of our client, State Farm Mutual Insurance Automobile Company, we are pleased to forward the following documentation requesting consideration for development charge credit for works completed on Leslie Street and Wellington Street west of Leslie Street, Aurora for the above-referenced project. This documentation is provided to update our previous Development Charge Credit application on May 12, 2009.

We have prepared these development credits as per the Regional Road Works Development Charge Credit guideline, April 2002. As directed by the Region of York, we have referenced the Regional 2005 Development Charge Credit Unit Rates for major capital projects.

As directed by Robert Partridge, we have provided both our tender price and the Regional unit price summary for each creditable item.

Pitura Husson Limited
1725 16th Avenue, Suite 103
Richmond Hill, Ontario
L4B 4C6

Tel: (905) 709-5825
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Email: general@piturahusson.com

As per the Regional guideline, please find enclosed the following supporting documentation:

Tab 1 – Regional Municipality of York Development Charge Credit Policy
Tab 2 – Request for Development Charge Credit Letter
Tab 3 - End Area Volume Calculations
Tab 4 – Quantity and Cost Summary
Tab 5 – 2005 Development Charge Credit Average Unit Costs
Tab 6 – As Constructed Engineering drawings
Tab 7 – Composite Utility Plans
Tab 8 – Areas for DC Credits Drawings
Tab 9 – Regional Development Charge Credit Process Flow Chart
Tab 10 – Leslie Street Executed Tender
Tab 11 – Signed Change Orders to Leslie Street Contract
Tab 12 – Documentation on Utility Relocation Costs
Tab 13 – Previous Memos

If you have any questions or comments regarding these matters, please do not hesitate to contact our office.

Yours very truly,

PITURA HUSSON LIMITED

D. Paul Husson, P.Eng.
Attachments
cc: Finance Department, Regional Municipality of York

Pitura Husson Limited
Leslie Street North of Wellington Street and Wellington Street West of Leslie Street
Town of Aurora

			Total Cost	Regional Cost (DC Credit)	Developer Cost
a)	Total estimated cost of works		$2,571,784		
b)	Amount of works not in ultimate Regional location		($682,924)		($682,924)
c)	Amount eligible for Development Charge Credit (per Development Charge Credit Policy)		$1,888,859		
	- development charge component	88.00%	$1,662,196	$1,662,196	
d)	Non-growth summary				
	- non-growth component	12.00%	$226,663		
	Developer share of non-growth costs - present value of works constructed ***(works included in 10 year capital forecast)***		($41,200)		($41,200)
	Regional share of non-growth costs		$185,463	$185,463	
Total Share of Capital Costs				**$1,847,659**	**($724,125)**

Developer Recovery Summary:

Total growth-related credit -	$1,662,196
Total non-growth reimbursement -	$185,463
	$1,847,659

Summary:

Total Estimated Cost of Works	$2,571,784
Regional Share (DC Credit)	$1,847,659
Developer Share	($724,125)

DEVELOPMENT CHARGE CREDIT

Non Growth Discounting Methodology

Leslie Street North of Wellington Street and Wellington Street West of Leslie Street

Assumptions:

Growth Component of capital works:	88.00%
Non Growth Component of capital works:	12.00%
Interest Rate[1] :	3.40%
Eligible works for DC credit:	$1,888,859.37

Planned Construction Year	# Years to Advance	Total Eligible for Credit (A)	Discounted Non Growth Share[2] (B)	Payable to Developer (A-B)	Payment to Developer			
					Growth Component (DC)	% of Payment	Non-Growth Component(Tax Levy)	% of Payment
2009	0	$1,888,859	$0	$1,888,859	$1,662,196	88.0%	$226,663	12.0%
2010	1	$1,888,859	$7,453	$1,881,406	$1,662,196	88.3%	$219,210	11.7%
2011	2	$1,888,859	$14,661	$1,874,198	$1,662,196	88.7%	$212,002	11.3%
2012	3	$1,888,859	$21,632	$1,867,227	$1,662,196	89.0%	$205,031	11.0%
2013	4	$1,888,859	$28,374	$1,860,485	$1,662,196	89.3%	$198,289	10.7%
2014	5	$1,888,859	$34,894	$1,853,965	$1,662,196	89.7%	$191,769	10.3%
2015	**6**	**$1,888,859**	**$41,200**	**$1,847,659**	**$1,662,196**	**90.0%**	**$185,463**	**10.0%**
2016	7	$1,888,859	$47,298	$1,841,561	$1,662,196	90.3%	$179,365	9.7%
2017	8	$1,888,859	$53,196	$1,835,663	$1,662,196	90.6%	$173,467	9.4%
2018	9	$1,888,859	$58,900	$1,829,959	$1,662,196	90.8%	$167,763	9.2%
2019	10	$1,888,859	$64,416	$1,824,443	$1,662,196	91.1%	$162,247	8.9%
beyond 2019	>10	$1,888,859	$226,663	$1,662,196	$1,662,196	100.0%	$0	0.0%

Notes:
1. Represents a 5.4% interest rate less a 2% rate adjusted for inflation as per the Development charge credit policy.
2. Due to advancing of works in the 10 year capital plan, the non growth component has been discounted, and is the responsibility of the developer.