9
MOUNT ALBERT WATER SUPPLY
PREPAID DEVELOPMENT CHARGE CREDIT AGREEMENT REVISED PRINCIPLES
TOWN OF EAST GWILLIMBURY

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 22, 2008, from the Commissioner of Finance, Commissioner of Planning and Development Services and Commissioner of Environmental Services:

1. RECOMMENDATIONS

It is recommended that:

1. Regional staff be authorized to negotiate the terms of a revised prepaid development charge credit agreement with the Mount Albert Developer Group in accordance with the revised principles outlined in this report for the Mount Albert Water Supply Works at an estimated cost of $5 million.

2. The Regional Chair and Clerk be authorized to execute the agreement subject to receipt of funding as outlined in this report.

2. PURPOSE

The purpose of this report is to obtain Council's authorization to permit Regional staff to negotiate a revised prepaid development charge credit agreement with the Mount Albert Developer Group for the advanced construction of Mount Albert Water Supply Works.

The Mount Albert Community Plan Financing of Regional Infrastructure prepaid development charge credit agreement principles report was adopted by Regional Council on September 21, 2002. Due to estimated increased construction costs, it is necessary to revisit the terms of the existing agreement.

3. BACKGROUND

Developer Group requests advanced construction of water supply works

In order to proceed with the build-out of subdivisions in Mount Albert, sufficient sanitary sewage and water servicing capacity must be made available. This required the Mount Albert Sewage Treatment Plant expansion, a water tower and water supply works.

Accordingly, the Mount Albert Developer Group represented by Beaverbrook Homes, has requested that the construction of the sewage servicing and water servicing infrastructure be advanced through pre-payment of sewage and water development charges. Principles of a Prepaid Development Charge agreement with Beaverbrook Homes were approved by Regional Council in September, 2002. The existing prepaid development charge agreement is being revisited because of increased costs for the water supply infrastructure and the inclusion of two new development interests to the agreement.

4. ANALYSIS AND OPTIONS

Planning Considerations

The Mount Albert Secondary Plan (OPA 72) was originally approved by the Ministry of Municipal Affairs in December 1994 to provide a long term plan to guide the future development pattern of the community and set out goals, policies and implementation mechanisms. This plan was based on the concept that the community would grow to approximately 5,300 persons on full municipal services. Servicing to support a population of 6,000 people has been planned with some allowances for intensification in keeping with the structure of the plan established in 1994 while recognizing the current Provincial and Regional policies. Since the original Prepaid Development Charge Agreement in 2003, a total of 904 units of development has been proposed of which servicing allocation has been assigned for 550 units (414 of these units have been built) based on the water and wastewater infrastructure completed to date. The remaining 354 units require additional servicing allocation resulting from the completion of the water works outlined in this report.

The water works proposed are intended to allow for the completion of the planned community on full services. As noted above, there are 354 residential units that have not moved forward in the planning process based on the need for additional water works. The following table illustrates the units estimated by each developer.

Table 1
Current Development Estimates Requiring Additional Servicing Allocation

File	Developer	Status	Unit estimate
19T-93016	Beaverbrook Phase 3b	Draft Approved with H	147 units
19T-04E02	Beaverbrook (South)	Not Draft Approved	68 units
19T-03E02	Dreamland	Not Draft Approved	58 units
19T-06E01	Oxford	Not Draft Approved	81 units
Total			354 units

There is also Phase 3a of the Beaverbrook subdivision that has an allocation of 136 units available from the previously assigned allocation of 550 units. In total, there are 490 units in various stages of draft plan approval that have yet to be registered and the development charges collected or credited.

The completion of the planned community with appropriate servicing which includes all the developers in the community is a key consideration in amending the principles of the Prepaid Development Charge agreement.

Additional Servicing allocation will permit the build out of this community

Servicing allocation is a factor in the phasing of developments. Previously, a capacity of 550 units was assigned to the Town to support the Beaverbrook Homes development. This capacity was made available through the completion of the water tower in 2004 and the water pollution control plant in 2005.

The existing sewage system could support a population of 6,000 people, sufficient to accommodate the build-out of the Mount Albert community. The proposed Water Supply works, comprising a new well and associated watermain, will increase the servicing capacity of the water system to 6,000 people, matching the capacity of the sewage system.

An additional 354 units could be assigned to the Town upon execution of the agreement and receipt of the necessary funding to award the contract from the Developer Group.

Summary of current agreement principles

In accordance with the executed prepaid development charge credit agreement of September 19, 2003, Beaverbrook Homes was responsible for funding the advanced construction of sewage and water infrastructure. At that time, the Mount Albert Sewage Treatment Plant expansion was estimated to cost $7.1 million. Beaverbrook homes was to cover the growth component of the works estimated at $5.5 million and the Region would be responsible for the non-growth component estimated at $1.6 million. The non-growth component would be funded from the Region’s sewer rate-supported reserves.

The sewage works have been completed and the total capital cost has increased to $11.7 million. Based on the revised project cost, Beaverbrook Homes is to provide $9.1 million in growth-related costs and the Region will cover $2.6 million for the non-growth component. Regional staff is in the process of securing the additional funding associated with sewage cost from Beaverbrook Homes.

As per the original agreement, the water infrastructure requirements included two components; a water tower and water supply works at an estimated cost of $4 million, $2 million for the water tower and $2 million for the water supply. The water tower has been constructed and Beaverbrook Homes’ share of the project was funded through prepaid development charges.

The environmental assessment for the water supply works has been completed and it has been determined that the well house will need to be located at a greater distance from the community than originally anticipated. As a result, the cost for the water supply works has increased from $2 million to $5 million. The increased costs in the sewage infrastructure coupled with water works has made the financing of the Regional infrastructure no longer feasible based on the existing agreement, as the water development charge credit will be insufficient to cover the developer group's share of project costs, even at full build out.

Water Development Charges are insufficient to cover increased project cost

The increased costs of the water infrastructure resulted in the Mount Albert Developer Group requesting revisions to the approved principles. The increased costs no longer make the advancement of the water infrastructure feasible for the developer group based on the existing agreement, as the water development charge credits are now in a shortfall position. Therefore, Regional staff met with the developer group to assist in developing revised principles that recognize the unique situation for this project within the Region.

As part of the discussions, the developer group has indicated that the full build out of the remaining proposed subdivisions would generate $10.2 million in development charges, of which approximately $2.1 million pertains to the water component of the charge. The costs associated with Mount Albert Water Supply works are estimated at $5 million. It is recognized that the Region is responsible for $1 million or 20% for the non-growth component of the works. The balance of $4 million or 80% representing the growth component of the works will be the responsibility of the Mount Albert Developer Group. The Mount Albert Developer Group will only be able to recover an estimated $2.1 million in water development charge credit through build out of the balance of its subdivisions, resulting in a $1.9 million shortfall.

The estimated shortfall in Development Charge revenue to cover the revised costs is summarized in Table 1 below.

Table 1 Water Supply – Estimated Shortfall in DC Revenue

	$ Millions
Estimated water supply total project costs:	
As per 2003 Agreement	$2.0
As of August, 2008	5.0
Share of Revised Costs:	
Mount Albert Developer Group (growth component of 80%)	$4.0
Region (non-growth component of 20%)	1.0
	$5.0
Estimated DC Revenue (water only, based on 490 units)	$2.1
Shortfall in DC revenue to cover growth component of costs	($1.9)

It is proposed that the Mount Albert Developer Group recover the shortfall through benefit of the uniform Region-wide Development Charge methodology. This means that the Region will forward water development charges collected from other areas of the Region to the developer group in order to fund the shortfall in DC revenue. This will enable the developer group to achieve the full amount of water DC credits owed to them. It should be noted that the recovery of sewage DC credits in this agreement is also based on this methodology. After commissioning of the water works, registration of the next phase of their subdivision will trigger the recovery of the DC shortfall from the Region in five annual instalments.

The Region will also direct any water development charges collected by the Region from non-participating developers within the benefiting area to the Mount Albert Developer Group to reduce the outstanding water credit obligation.

5. FINANCIAL IMPLICATIONS

The Mount Albert Developer Group has proposed to provide financing in the form of prepaid development charges to advance the construction timing of water supply works. As noted in Section 4, due to increased costs, development charges in this instance are inadequate to cover the growth-related costs for the project. Therefore, it is proposed that the Region cover the estimated $1.9 million shortfall in development charge revenue through the application of the Region-wide DC methodology, i.e., reimbursement of the $1.9 million from water development charges collected in other areas of the Region. Furthermore, based on revised project costs, the Region’s share of the non-growth component of this works is $1.0 million, to be funded from the rate-supported water reserve and will be budgeted in 2009 (note: subject to timing of actual project expenses).

Subject to receipt of all necessary planning approvals, *Attachment 1* details the revised principles of the prepaid development charge credit agreement between the Mount Albert Developer Group and the Regional Municipality of York required to advance the associated water servicing infrastructure.

It should be noted that Dreamland and Oxford Homes will now be party to the agreement and will share in the cost of the project.

6. LOCAL MUNICIPAL IMPACT

The advancement of the Mount Albert Water Supply works will facilitate the servicing and build-out of the plans of subdivisions within the Mount Albert Community. It will be the responsibility of the Town of East Gwillimbury to allocate water and sewer capacity to the Mount Albert Developer Group.

7. CONCLUSION

This report outlines the principles of a prepaid development charge credit agreement between the Region and the Mount Albert Developer Group, required to advance the construction timing of the Mount Albert Water Supply Works at an estimated cost of $5 million. These works are required to permit the development of the lands within the Mount Albert Community.

The Mount Albert Developer Group will be responsible for providing funding in the form of prepaid development charges for the water supply works in accordance with the principles set out in this report.

For more information on this report, please contact Kelly Strueby, Director Business Planning & Budgets at ext. 1611 or Fabrizio Filippazzo at ext. 1696.

The Senior Management Group has reviewed this report.

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