BILD
BUILDING A GREATER GTA
Building Industry and Land Development Association

March 8, 2017

York Regional Council
17250 Yonge Street
Newmarket, Ontario
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York Regional Council,

RE: BILD Comments on Item B. Public Meeting – Proposed York Region Development Charges By-law

On behalf of the York Chapter members of the Building Industry and Land Development Association (BILD), we thank York Region Staff for our continued consultation on the Region's 2017 Development Charge (DC) Background Study and By-law Review.

We have raised some outstanding questions with staff as attached in the IBI memo and we are confident that our questions will be addressed in written correspondence and in future meetings.

Should you have any further questions or concerns, please feel free to contact the undersigned.

Sincerely,

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Senior Manager, Policy & Government Relations BILD

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York Region 2017 Development Charge (DC) Background Study, February 16, 2017 (DCBGS) BILD's Preliminary List of Questions

BILD, during the previous discussions with York Region staff, raised several issues some of which have been addressed in the DCBGS whereas others remain outstanding. This list of questions identifies these outstanding issues as well as others arising from the initial review of the DCBGS.

1. PPU (Persons Per Unit)

BILD raised the issue of PPUs for singles/semis in previous correspondence. By way of background, the 2012 DCBGS utilized a historical 10 year average (1996-2006) for the services which had a 10 year planning timeframe. The PPU for the longer term capital services (19.5 years) was based on the PPUs for all housing units as of 2006. For the 2017 DCBGS, the Region has opted to use the 10 year PPU for both the 10 year and longer term horizon services (14.5 years).

For purposes of the 2017 DC By-law, given the larger difference in PPU particularly for singles/semis in the two 5 year time horizons (2001-2006 / 2006-2011), BILD had suggested placing more weight on the latter 5 year period especially in the case of singles as this represented the most recent data available and was more representative of long term occupancy trends.

Please explain why the Region has changed its approach to the derivation of the PPUs for longer term horizon services and indicate why BILD's suggestion for placing more weight on the latest 5 year period was not considered.

2. Growth Forecasts

Can you please indicate how the institutional population growth has been factored into the calculation of the DC quantum? BILD's understanding based on the DCBGS is that it is not taken into account in the calculation of the charge? If not, why not?

3. Industrial Space Standard / Employees

The earlier discussions with the Region indicated that they were proposing to utilize a space standard of 700 sq. ft. /employee, for industrial employment significantly lower than the 950 sq. ft. /per industrial employee utilized for the 2012 by-law. BILD questioned this assumption on the basis of industry experience. York Region reviewed their assumption and increased the space standard to 800 sq. ft. /employee, still significantly lower than the 2012 assumption and not in keeping with industry experience. BILD requested detailed information on the sample utilized but this request was denied because of confidentiality. BILD still believes an analysis of the data would be beneficial and also would like to understand how the no fixed place of work employment was factored into the calculation.

4. Hotel New Category of Non-Residential Space

We understand that the Region has chosen to adopt a new non-residential category for hotels. The actual methodology utilized in the DCBGS seems to be somewhat different than the two options discussed previously with BILD. It would be beneficial if we could discuss the approach and implementation at our next working session to better understand how the new charge will be applied.

5. PPB (Post Period Benefit) / BTE (Benefit to Existing) Roads

With respect to PPB for roads, BILD and York Region have long disagreed on the proper methodology for calculating road PPB. BILD believes that available capacity at the end of the planning horizon for growth related road improvements should be allocated as a PPB for the post 2031 period. The Region does not accept this premise and suggested that as long as the future volume/capacity (V/C) ratio remained equal to or greater than the existing V/C ratio, no PPB shall apply.

In the 2017 DCBGS, the implementation of this approach by the Region results in almost no PPB assigned to any of the large number of road projects ($2.8 billion gross cost / $2.0 billion in growth related costs) without having any PPB with one exception ($2.2 million). This despite the fact that many of the road projects are not scheduled to be completed until near the end of the 2031 planning horizon. This somewhat extreme result based on the Region's methodology only serves to highlight the basic flaw in the Region's approach to PPB. The BILD suggested approach allocates growth related costs in a fair and transparent manner to both growth to 2031 and post 2031.

With respect to BTE for roads, BILD has previously commented upon the Region's intention to eliminate / reduce the BTE for certain categories of road improvements (New Arterial Links*, Missing Arterial Links*, New Grade Separations*, Mid-Block Crossings*, Interchange Ramp Extensions, Reconstruction Growth and Oher Areas). BILD's concerns as to the reduction / elimination in BTE allocation from the 2012 BTE allocation have not all been fully addressed (see * projects above). BILD points out that the 2012 BTE allocations had been agreed to by both the Region and BILD for the 2012 DC By-law and are uncertain as to why the changes for 2017 have been suggested.

6. Water / Wastewater BTE / PPB

The Region and BILD did not agree on the methodology utilized for many of the categories water/wastewater projects in the 2012 by-law and many of these differences remain in the 2017 DCBGS. BILD believes that the average cost approach is the preferred methodology to assign costs to existing population/employment, growth related and post period growth. The Region tends to favour the marginal cost approach or a hybrid marginal cost approach after allowing for certain base or fixed costs with certain exceptions where the average cost methodology is employed.

It is the view of BILD that, the average cost approach more fairly allocates the cost to that population / employment which is receiving the benefit of the capital work rather than assigning the costs disproportionately to growth during the planning period.

While BILD acknowledges the flow factors utilized in the 2017 DCBGS are reduced from the 2012 study, BILD had previously inquired why the growth related residential flow rate of 201 litres utilized is more than the existing 190 litres/per capital referenced in the 2015 Sustainability Plan report especially in light of ongoing water conservation measures. BILD would like a better understanding as to why these lower flow rates were not utilized.

Finally, BILD would appreciate more detailed information as to the supply/demand calculations for the major new plants/pumping stations which is used to calculate PPB and in certain cases BTE.

7. Transit Modal Spilt of Existing Population / Employment

BILD has previously queried why the modal spilt for the existing population (utilized in the calculation of BTE) was based on the average level of service of the 10 year period rather than the level of service for the existing population at the end of the 10 year period. This latter approach more accurately reflects the benefit to existing resulting from the transit improvements over the 10 year planning horizon.

8. **Spadina Subway**

As in the 2012 DCBGS, BILD objects to the lack of any PPB benefit associated with the Spadina Subway. The Region's position assumes that there is no benefit to post 2031 population and employment growth. This seemingly arbitrary position by the Region remains unexplained.

Further, the details associated with the BTE calculation of 26% remains the same as in the 2012 DCBGS despite 5 more years of growth. BILD would request a rationale for this BTE calculation and an explanation of why the grant share is less than 10% of the indicated gross costs, far less than in previous analyses.

9. **Historical Level of Services**

Can the Region please provide details for the quality historical level of service ($ / sq. ft. of building and land cost per acre) for the following services which appear high compared to previous quality standards?

- Paramedic[1]
- Public Health
- Long Term Care / Seniors
- Social Housing

As well, BILD would like to see the basis of the historical quality level of service for the two new services:

- Courts
- Waste Diversion

10. **Excluded Projects - Roads**

BILD is reviewing the list of projects excluded in the 2017 DCGBS compared to the 2012 study. It is somewhat difficult given the nomenclature and road section have changed in certain cases. Any assistance that the Region could provide in reconciling these two studies would greatly assist BILD and its members in better understanding the implication of these changes.

11. **Contingent DC**

BILD seeks confirmation that the implementation of any Contingent DC quantums would be similar to that proposed in the 2012 By-law.

12. **Cash Flow / Interest Charges**

In order to better understand the cash flow analysis, can BILD receive the year by year interest assumptions? As well, we note that in certain cases the debt term has been reduced from 20 years to 10 years and BILD would like an explanation as to why. Further, BILD requests an explanation as to why the discount rate applied to post-2031 debt payment varies amongst the various services and furthermore, how the discount rate relates to the debt cost of capital?

13. **Asset Management Plans**

Please confirm that the Asset Management Plans incorporate into the analysis the gross cost of the projects and not just the growth related shares. Further, can the analysis indicate what the impact of the capital is on both the tax levy and the user rates?

[1] Example: $1,206/sq. ft. in 2017 vs. $187/sq. ft. building, $210/sq. ft. including land in 2012.