

TOWN OF AJAX REPORT



REPORT TO: Council

SUBMITTED BY: Paul Allore, M.C.I.P., R.P.P.
Director of Planning & Development Services

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Senior Policy Planner

SUBJECT: **Comments on the 2013 Durham Region Development Charge Background Study**

WARD(S): All

DATE OF MEETING: April 8, 2013

REFERENCE: Community Action Plan – Strategic Development and Economic Prosperity

RECOMMENDATIONS:

1. That the report to Council entitled “Comments on the 2013 Durham Region Development Charge Background Study”, dated April 8, 2013, be endorsed;
2. That Durham Region be requested to confirm, prior to filing the Environmental Study Report from the Regions’ joint Municipal Class Environmental Assessment for the Duffin Creek Water Pollution Control Plant’s outfall with the Ministry of the Environment, that the 2013 Development Charge Background Study and related Development Charge By-law provides sufficient funding for Durham’s share (20%) of constructing a new 3-km outfall for the Duffin Creek Water Pollution Control Plant by 2020, and confirm that York Region has set aside sufficient funds for York Region’s share (80%) of the design, construction and operation and maintenance of the new 3-km outfall by 2020;
3. That Durham Region be requested to further revise the 2013 Development Charge Background Study and applicable By-law as follows:
 - a) Ensure initiation in 2014 of the Environmental Assessment and Preliminary Design for the Harwood Sanitary Sewer Pumping Station (i.e., Item #104 on Schedule G.1 in Appendix G of the Background Study), followed immediately by detailed design and construction by 2016, in order to coincide with the timing of Phase 2 of the Medallion development at Bayly Street and Harwood Avenue in Ajax;
 - b) Maintain the current Development Charge discount rates for Large Office development;
 - c) Separate out different uses (i.e., Retail, Office, Hotel and all other Commercial uses) within the Commercial classification to better reflect varying needs in

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- area municipalities and to respect the applicable plans and strategies for economic growth (e.g., the Province's Growth Plan for the Greater Golden Horseshoe and Tourism Strategy, Durham Region's Growth Plan, Tourism Strategy and Art of Transition, and the Town of Ajax Official Plan and Economic Development & Tourism Strategy); and,
- d) **Modify Section 6.3 (Discretionary Exemptions) by adding "temporary non-residential uses, including those permitted pursuant to Section 39 of the *Planning Act*"; and,**
4. **That this report be sent to the Region of Durham as the Town's comments on the 2013 Durham Region Development Charge Background Study.**
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BACKGROUND:

This staff report provides comments on a proposed 2013 Durham Region Development Charge Background Study, dated March 19, 2013 that provides the basis for the 2013 Durham Region Development Charges By-law. The subject Background Study was prepared by Durham Region staff and Watson & Associates Economists Ltd., pursuant to the *Development Charges Act, 1997*. The Region's current Development Charges By-law (#44-2008) expires July 1, 2013.

Development charges (DCs) are costs that can be recovered under the *Development Charges Act*, based on the Region's capital spending plans and other assumptions. Development charges are reviewed at 5-year intervals. According to the subject Background Study, property taxes, user rate increases or other funding may be required to finance any potential development charge-recoverable capital costs if those costs are not covered in the recommended development charges.

New area-specific DCs for water and sanitary sewerage are to be implemented for the Seaton Community through a separate Background Study and By-law.

On April 3, 2013, at a public meeting concerning the DC Background Study held by Durham Regional Council, the Mayor and Town's Regional Councillors brought forward the key issues identified in this staff report. The Region will receive written comments up to April 10, 2013.

DISCUSSION:

Staff's review of the subject Background Study identified three issues relevant to the Town's interests, as outlined below.

Issue 1 – Funding the Duffin Creek Water Pollution Control Plant's New 3-km Outfall

Durham Region and York Region are jointly conducting a Municipal Class Environmental Assessment for the Duffin Creek Water Pollution Control Plant's Outfall (Outfall EA). The Regions identified a new 3-km Outfall as one of several short-listed alternatives.

At this point in the ongoing Outfall EA, the Regions' Preferred Alternative (Modify Existing Outfall's Diffuser by Adding Duck-Billed Valves) is estimated to cost \$1.1 - \$1.5 million. The Regions are also preparing a conceptual design for a new 3-km outfall as part of the Outfall EA. Town staff's recommended Preferred Alternative (Construct a New 3-km Outfall by 2020) would cost approximately \$185 million to \$240 million (in 2013 dollars), according to the Regions' project managers.

As a result, Town staff reviewed Durham and York Regions' Development Charge Background Studies to determine whether sufficient funding has been committed to enable the detailed design, construction, operation and maintenance of a new 3-km outfall at the Duffin Creek WPCP.

Durham Region's Proposed 2013 Development Charge Background Study

Item #100 (Durham's Share to Address Outfall Limitations at the Duffin Creek WPCP) in Table G.1 (Regional Sanitary Sewerage Capital Cost Summary) of Appendix G identifies \$41.5 million, but only \$17.18 million (41.4%) is to be funded by DCs. The funds are presently allocated for the 2018-2022 period. Explanation of the work to be done with these funds was not provided.

Durham Region staff explained Item #100 as follows:

- a) Item #100 is Durham Region's share (20%) of a Class Environmental Assessment and subsequent construction to address the outfall limitations at the Duffin Creek WPCP, assuming York Region's share is 80%. The \$41.5 million (in 2013 dollars) shown on Table G.1 represents Durham's 20% share. Capital funding in the Regional DC is consistent with the Capital forecast in the Water and Sanitary Sewerage and Finance Study (December 2012) related to the Duffin Creek WPCP Outfall project. Due to the uncertainty of the Preferred Alternative and completion time for the Duffin Creek WPCP Outfall EA, the Capital program includes a cost allowance for replacing the existing outfall.
- b) The cost of the Duffin Creek WPCP Outfall EA is shared 50/50 with York Region. Any related work to respond to a Part II Order (Bump-Up) Request filed with the Ministry of the Environment at the conclusion of the Outfall EA process would be shared between the Regions on a 50/50 basis. The project is partially funded by DCs for the capacity which is not currently utilized by existing users.

York Region's Approved 2012 Development Charge Background Study

Table 6 (Wastewater Treatment – Growth-Related Capital Costs Included in DC Calculations) - identifies Item 12 (72360 – Outfall), with an amount of approximately \$145.6 million in the 2012-2019 period. The Study does not explain whether this amount is allocated solely, partially or at all for the detailed design and construction of a new 3-km Duffin Creek WPCP outfall.

During the ongoing Outfall EA process, the Regions' estimated the cost of a new 3-km outfall at \$185-\$240 million. If York Region has identified \$145.5 million to design and construct a new outfall, and Durham Region has identified \$41.5 million as presently shown in the 2013 DC Background Study, the Regions may have allocated approximately \$187 million for this project.

Therefore, it would appear that both Background Studies appear to provide funding for a new outfall within the 2018-2022 timeframe.

Durham Region staff have confirmed the 80 (York)/20 (Durham) split for capital projects.

From staff's review of the Regions' respective Development Charge Background Studies, it appears that Durham Region's \$41.5 million is only partially funded by DCs (i.e., \$17.18 million or 41.4% is the benefit to existing development portion that is not funded by DCs), whereas York Region's \$145.6 million is comprised of \$131.1 million (90%) from DCs and \$14.5 million (10%) from growth-related grants, subsidies and other contributions. York Region's Background Study appears to identify that there is no benefit to existing development portion of the total cost.

Staff Recommendation:

That Durham Region be requested to confirm, prior to filing the Environmental Study Report from the Regions' joint Municipal Class Environmental Assessment for the Duffin Creek Water Pollution Control Plant's outfall with the Ministry of the Environment, that the 2013 Development Charge Background Study and related Development Charge By-law provides sufficient funding for Durham's share (20%) of constructing a new 3-km outfall for the Duffin Creek Water Pollution Control Plant by 2020, and confirm that York Region has set aside sufficient funds for York Region's share (80%) of the design, construction and operation and maintenance of the new 3-km outfall by 2020.

Issue 2 – Funding for Pumping Station to Facilitate Medallion Development

The Background Study (Page G-13 of Appendix G - Regional Sanitary Sewerage - Line Item #104 - Harwood SSPS and land south of Bayly St/Harwood Ave.) indicates that the proposed Harwood Sanitary Sewage Pumping Station is planned for the 2018 to 2022 timeframe.

This Pumping Station is needed for the second and third phases of the Medallion development at Bayly Street and Harwood Avenue. The Town has entered into a development agreement with Medallion whereby Medallion has committed to commence construction of the second phase of development by 2016. Therefore, the Region's proposed timing does not coincide with Medallion's development plans. In order to allow the second and third phases of development to proceed as planned, the timing of the pumping station should be accelerated, such that the requisite EA process is initiated in 2014, immediately followed by detailed design and construction. It will take approximately 5 years to complete the EA and preliminary design, detailed design, and construction of the Pumping Station.

The estimated cost for the Pumping Station is shown at \$3.5 million. The total amount of development charges estimated to be collected by the Region for this development is \$17.1 million.

Staff Recommendation:

That the Region be requested to revise the Background Study and applicable DC By-law to ensure initiation in 2014 of the Environmental Assessment and Preliminary Design for the Harwood Sanitary Sewer Pumping Station project (i.e., Item #104 on Schedule G.1 in Appendix G), followed immediately by detailed design and construction, in order to coincide with the timing of Phase 2 of the Medallion development at Bayly Street and Harwood Avenue in Ajax.

Issue 3 – Considerations for Non-Residential DCs

With respect to Section 6.4.3 of the Background Study, the Region is recommending that, under the Proposed Non-Residential Development Charge, the Commercial Rate be lowered from \$19.17 to \$12.96 per sq. ft.

This is a welcome reduction for the majority of Commercial classifications; however, the Region is also proposing to discontinue the discount applied to Office development over 25,000 sq. ft. In 2009 when the Large Office Discount was offered, a downturn in the economy was felt in all sectors. The downturn caused an increase in available Office inventory and a decrease in demand for new Office development. The February 2013 Toronto Real Estate Board Market Report indicates Office lease rates have significantly fallen. However, the current lease rates, uptake in market demand since 2009 and a focus in Durham Region for the 'creative class' (business, IT and other professionals) encourages new investment in Office development.

Elimination of the Large Office discount factor, as is presently proposed, will adversely impact current proposals in the Ajax Carruthers Creek Employment Area. As an example, the Town is working on a proposal from a small developer for two buildings (30,000 sq. ft. and 50,000 sq. ft.). The project fits the Town's targeted healthcare sector and is a candidate for *PriorityPath* (our site plan approval process customized to accelerate development by the small business sector). An increase or change in presently applicable DCs for this project will essentially result in its cancellation.

In addition to maintaining current DC discounts for Large Office development, staff suggest that it would be appropriate for Durham Region to separate out different uses (i.e., Retail, Office, Hotel and all other Commercial uses) within the Commercial classification to better reflect varying needs in area municipalities and to respect the applicable plans and strategies for economic growth (e.g., the Province's Growth Plan for the Greater Golden Horseshoe and Tourism Strategy, Durham Region's Growth Plan, Tourism Strategy and Art of Transition, Ajax's Official Plan and Economic Development & Tourism Strategy).

Hotel uses contribute directly to the Tourism product development. Office uses lend directly to Durham Region's Art of Transition movement and advance various plans to attract investment with high employment density. Other jurisdictions in the Greater Toronto Area have opted either to separate Industrial and Office uses from other Commercial uses (including Retail) or to specifically separate Retail from the remaining Non-Residential uses, as Retail uses are noted to have higher trip rates relative to other Employment uses, and have proven to be able to better absorb higher development charges.

Staff Recommendations:

That the Region be requested to maintain the current Development Charge discount rates for Large Office development.

That the Region be requested to separate out different uses (i.e., Retail, Office, Hotel and all other Commercial uses) within the Commercial classification to better reflect varying needs in area municipalities and to respect the applicable plans and strategies for economic growth (e.g., the Province's Growth Plan for the Greater Golden Horseshoe and Tourism Strategy, Durham Region's Growth Plan, Tourism Strategy and Art of Transition, and the Town of Ajax Official Plan and Economic Development & Tourism Strategy).

Under Section 6.3 (Discretionary Exemptions), the current DCs required for "Temporary Space" for industrial operations are discouraging desired economic growth and investment in communities in Durham Region. As an example, DCs were applied to temporary space required by SAFRAN Messier-Dowty, one of the Region's oldest and largest Foreign Owned Companies. The temporary, modular space was needed to house 80 engineering jobs in its manufacturing operations in the short term. In comparison, York Region, Wilmot and other jurisdictions exempt temporary, non-residential uses permitted pursuant to Section 39 of the *Planning Act*.

Staff Recommendation:

That the Region be requested to modify Section 6.3 (Discretionary Exemptions) by adding "temporary non-residential uses permitted, including those permitted pursuant to section 39 of the Planning Act".

FINANCIAL IMPLICATIONS:

There are no financial implications associated with endorsing this staff report.

COMMUNICATION ISSUES:

None.

CONCLUSION:

Durham Region will receive written input on the subject Background Study until April 10, 2013. The completed Background Study and DC By-laws are scheduled to be considered at Regional Council's meeting on April 24, 2013, at which time decisions are to be made as to the magnitude of the charges Regional Council wishes to establish for residential, commercial, industrial and institutional development.

It is recommended that this staff report be endorsed and sent to both Durham Region and York Region.

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