

**DEPUTATION REQUEST**

Request for deputation, any written submissions and background information for consideration by City Council must be submitted to the City Clerk's Office by 12:00 p.m. on the **WEDNESDAY PRIOR TO THE REQUESTED MEETING**.

PLEASE PRINT

<b>COUNCIL MEETING DATE:</b>		
August 25, 2014		
<b>GENERAL COMMITTEE MOTION NUMBER:</b>		
<b>SUBJECT:</b>		
Development Charge By-law		
<b>NAME OF PERSON TO APPEAR:</b>		
Jane Pepino		
<b>EMAIL ADDRESS:</b>		
jpepino@airdberlis.com		
<b>STREET ADDRESS:</b>		
Brookfield Place, 181 Bay Street, Suite 1800,		
<b>City</b>		<b>Postal Code</b>
Toronto		M5J 2T9
<b>PHONE:</b>	<b>HOME:</b>	<b>BUSINESS:</b>
		Direct: 416.865.7727
<b>NAME OF PERSON REQUESTING APPEARANCE (if different from person appearing):</b>		
N/A		
<b>PHONE:</b>	<b>HOME:</b>	<b>BUSINESS:</b>
	N/A	
<b>NAME OF GROUP OR PERSON(S) BEING REPRESENTED (if applicable):</b>		
Harmony Village		
<b>BRIEF STATEMENT OF PURPOSE OF DEPUTATION:</b>		
To oppose enactment of the Development Charge By-law as presently drafted		
<b>LETTER SUBMITTED WITH REQUEST:</b>	<b>YES</b>	<b>NO No</b>

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City of Barrie, City Clerk's Office  
70 Collier Street, P.O. Box 400, Barrie, L4M 4T5  
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[www.barrie.ca](http://www.barrie.ca)

# AIRD & BERLIS LLP

Barristers and Solicitors

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August 19, 2014  
Our File No. 117844

Mayor Lehman and Members of Council  
City of Barrie  
70 Collier Street, Box 400  
Barrie, ON L4M 4T5

Attention: Wendy Cooke, Deputy City Clerk

Dear Mayor Lehman and Members of Council:

## **Proposed Development Charge By-law and Underlying Background Study (No. 2013-032)**

Aird & Berlis LLP acts for Harmony Village Lake Simcoe Inc., in respect of the City of Barrie's 2014 Development Charge Background Study and Development Charge By-law.

We previously wrote to the Deputy City Clerk on August 5, 2014, in advance of the General Committee meeting held on August 11, 2014, with an initial written submission to City Staff concerning the 2014 Development Charge (DC) By-law and the 2014 DC Background Study. In that letter we requested that staff's report on the DC By-law (and any further Committee or Council meetings on the DC By-law) be deferred to allow sufficient time for proper engagement between the City and our client, given the notable discrepancies in the DC Background Study prepared for the City by Watson & Associates Economists Ltd. that have been identified by our client's retained advisors, Altus Group Ltd and LEA Consulting Ltd.

I was present to observe at the August 11, 2014 General Committee meeting. At that time, members of Committee identified a number of issues with, and questions pertaining to, the justification for the proposed Development Charge increases outlined in the proposed 2014 DC By-law. Most notably, City Council members expressed concern that neither City staff, nor Watson & Associates Ltd., had considered the economic impacts of the proposed Development Charge increases on the Barrie economy and the value of lands in the downtown, the majority of which are owned by the City itself.

With notable discrepancies identified and acknowledgement that both City staff and City Council have not evaluated the economic impacts of the proposed DC By-law on Barrie's downtown, downtown land values and the economic assumptions for growth underlying

the proposed DC charges, we question the appropriateness of proceeding to consider passage of the 2014 DC By-law. There are simply too many unresolved issues.

Further to the discussion that took place at General Committee, three important issues were raised on which we provide comment:

1. The perceived economic benefit to Downtown Barrie of updated CIP policies providing downtown tax incentives, versus maintaining DC discounts;
2. The economic rationale for maintaining development charge discounts in the downtown; and
3. The perception that recent parking ratio reductions were a sufficient benefit to ensure Barrie's downtown grows in accordance with projections, and becomes competitive.

With respect to points 1 and 2 above, appended to this letter is a detailed memo prepared by Altus that highlights the following:

1. An elimination of the Downtown Barrie DC discount would mean that apartment units there would face a 183% increase to their development charges, far and away the highest DC rate increase faced by any development sector in the City.
2. The DC Background Study assumed 262 units would be developed each year. Any delay in that development would result in reduced DC income, and missed tax revenue.
3. The cost of a 50% DC discount to an apartment unit in the Downtown would be offset by increased taxes generated by that same development in approximately five years, and those units would add about \$52M to the assessment base.
4. Based on the City's Growth Management Strategy forecast for development in the Barrie Urban Growth Centre, the cost of the DC discount program would be roughly \$2.9 million per year, or \$14.4M over the life of the 5 year DC By-law.
5. By contrast, a Tax Increment Equivalent Grant program would have an annual cost to the City of \$3.0 million, which would be costlier to the City on an annual basis than the 50% DC discount of increased DCs in the Downtown. The TIEG program would also be more difficult to implement and more administratively complex than a relatively simple DC discount.

6. Stimulating residential development (or not creating obstacles to its timely delivery) will help support commercial space in the Downtown, where there is a very high retail vacancy rate. The annual projection of 262 new residential units per year in the Downtown would result in \$11.5 million being available annually to be spent on goods and services, a proportion of which could help support Downtown businesses.
7. Barrie's current residential market is extremely price sensitive and is not able to absorb higher DC rates as easily as municipalities closer to, or within, the GTA. Removal of the DC discount would increase the DCs as a share of the selling price from 2.5% to 7.2% - higher than Toronto, Oakville, Vaughan, Burlington and Richmond Hill (all areas that can command higher prices than Barrie and better absorb DC increases).
8. Based on the City's Growth Management Strategy forecast of 262 units per year in the Urban Growth Centre, and assuming all of these forecast units are built at the 50% DC discount, these units can be expected to bring in \$13.8 million in DC revenues over the five-year DC by-law period.
9. If however, full DC rates are imposed instead of being discounted, and this results in 25% of the 262 annual units being built per year, as a result of a reduction in market competitiveness, then these units could be expected to bring in only \$6.9 million in DC revenues over the five-year DC by-law period.
10. Under these scenarios, there would be a \$6.9 million difference between full development at 50% DC rates, and reduced development at full DC rates. Therefore, infrastructure costs earmarked for funding from the forecast residential development would instead increasingly rely on the City's existing tax base.
11. Under the above scenario, this funding gap of \$1.4 million per year, if recovered entirely from the City's tax base, would require a further 0.78% increase to the residential property tax bill beyond what a full development scenario with the 50% discount would require.

With respect to point three above, City Council recently approved a reduction to the required parking ratio in the downtown, from 1.5 spaces/residential unit to 1 space/residential unit. While this was a very positive move, City Council must not confuse planning policies with economic incentives. The previous downtown standard of 1.5 spaces/residential unit was an auto-centric, outdated and suburban standard, inconsistent with the City's urban vision for its downtown and completely at odds with ratios reflecting current best practices in urban areas across the country and continent. Bringing Barrie's

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downtown parking ratio closer to being in line with other municipalities in Southern Ontario was necessary from a planning perspective in order to begin evening the playing field for developers economically, but is not enough to overcome the price sensitivities currently being encountered in the Barrie residential market.

In our submission, removing the existing 50% residential DC discount would constitute policy regression and strike a blow to Barrie's already sensitive and challenged market competitiveness.

We are pleased that General Committee voted in favour of keeping the current 50% discount to residential development charges in the downtown and the 100% discount for office, and will appear before Council in support of this position, for the reasons set out above. However, our client also believes it is necessary to retain all of the current non-residential exemptions to ensure that downtown retail and commercial uses can remain competitive, given existing retail and office performance and vacancy rates.

Additionally, we are disappointed that no response or consideration has been provided to our client pertaining to the numerous discrepancies that both Altus and LEA have identified with the DC Background Study, as well as those deficiencies General Committee Members pointed out. If the City feels that it must enact a DC-By-law to allow the annexed lands to proceed, then we suggest it should be an area specific By-law until the discrepancies with the remainder of the By-law are resolved. We are also disappointed that no discussion has taken place as to potential phasing in of any future increases, particularly given that both City staff and City Council have confirmed that the current DC By-law has not been evaluated with respect to its potential impacts to the Barrie economy.

In light of the foregoing, we request that staff's report on the DC By-law (and any further Committee or Council meetings on the DC By-law) be deferred to allow sufficient time for the following:

1. Engagement between representatives of Harmony Village Lake Simcoe Inc., their private consultants, City staff, and the City's private consultants to properly evaluate and resolve the discrepancies in the DC Background Study as identified by Altus and LEA;
2. City Staff and the development community to work together to evaluate the impacts of Downtown CIP incentives versus DC discounts;
3. Evaluation of the appropriateness of an area-specific DC By-law for the annexed lands; and

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4. Evaluation of the benefits of phasing in any DC increases ultimately recommended for the downtown, once the above issues are considered and resolved.

Should you wish to further discuss any matters raised in this letter, please contact the undersigned.

Yours truly,

**AIRD & BERLIS LLP**



N. Jane Pepino, C.M., Q.C., LL.D.

NJP/sh

cc: J. Pong, President and CEO, Harmony Village Lake Simcoe, Inc.  
W. Nott, Senior Partner, Walker, Nott, Dragicevic, Associates, Ltd.  
R. Spanier, Partner and Principal, LiveWorkLearnPlay, Inc.  
A. McNeill, Vice-President, LiveWorkLearnPlay, Inc.  
D. Kelcher, Director, Research, Valuation & Advisory, Altus Group Limited  
T. Wallace, Vice-President, LEA Consulting Ltd.