

Report to Finance and Corporate Services Committee

TO: FINANCE AND CORPORATE SERVICES COMMITTEE

PREPARED BY AND KEY CONTACT: M. JERMEY, DEPUTY TREASURER, EXTENSION 4407

SUBMITTED BY: C. MILLAR, DIRECTOR OF FINANCE, EXTENSION 5130



GENERAL MANAGER APPROVAL: P. ELLIOTT-SPENCER, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES



CHIEF ADMINISTRATIVE OFFICER APPROVAL: C. LADD, CHIEF ADMINISTRATIVE OFFICER



DATE: MAY 27, 2015

SUBJECT: DEVELOPMENT CHARGES DEFERRAL AGREEMENT

RECOMMENDED MOTION

1. That staff do not proceed with a Development Charge Deferral Agreement with the owner of 222 and 232 King Street, STREIT Manufacturing Inc.
2. That staff develop a Development Charge Deferral policy that aligns with the City's Growth Management Implementation Plans, Affordable Housing Strategy, and strategic Economic Development opportunities, and report back to General Committee with a recommended policy.

PURPOSE & BACKGROUND

3. The City Clerk's Office received a request for deferral of development charges from STREIT Manufacturing Inc. (SMI) on April 13, 2015 (Appendix "A"). The request is being made under Section 27 of the *Development Charges Act (DCA)* which states that:

"A municipality may enter into an agreement with a person who is required to pay a development charge providing for all or any part of a development charge to be paid before or after it would otherwise be payable. 1997, c. 27, s. 27 (1)".
4. SMI's submission specifically requests "that the payments [of DCs] be spread equally over a four year period". SMI's request is limited to the timing of collection and is not currently seeking relief from the amount of DCs calculated as payable.
5. SMI is currently located in the Industrial Park of the Town of Innisfil. The company manufactures armoured vehicles and claims a worldwide customer base. SMI is proposing to relocate and expand its operation on lands recently purchased in Barrie's south end, properties known as 222 and 232 King Street. These lands are zoned General Industrial EM4.
6. SMI has indicated that it intends to construct a 75,000 square foot building to house its operations. Under the provisions contained in the City's current DC By-law (2014-108), SMI will be required to pay approximately \$846,000 in municipal development charges at the time of building permit.

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ANALYSIS

STREIT Manufacturing Inc.

7. SMI has requested equal payments over a four year period instead of full payment at building permit as is required by the City's DC By-law. The request is silent on SMI's willingness to accept terms that may include interest or an alternative DC rate. Section 27(2) and 27(3) of the DCA permit a municipality to include such terms in the agreement.
8. The timing for collection of Industrial DCs under the current DC By-law has not changed relative to the previous By-law.
9. The calculation of DCs in the amount of \$846,000 assumes that SMI will benefit from the discounted rates provided for under Paragraph 9 (c) (iii) of the City's DC By-law. This provision entitles the first 1.2 million square feet of non-residential and non-retail space being developed to a discounted rate of \$11.28 per square foot. After which, the rate will increase to the prevailing rate at the time of issuance of the building permit. As of May 25, 2015, that rate would be \$17.53 per square foot.
10. Since the new DC Bylaw was approved in August 2014, approximately 345,000 square feet of non-residential and non-retail has been built out.
11. The SMI development will generate additional property tax revenue of approximately \$130,000 annually to the direct financial benefit of the City.
12. There are additional fees associated with the proposed development (e.g. Building Permit fee and Education Levy).

Corporate DC Deferral Policy

13. With the early payment requirement, combined with the needed quantum of the DC amounts, it is expected the frequency of Section 27 DC deferral requests will continue to increase. The City does not have a policy in place to provide guiding principles to both staff and Council in the evaluation of such requests. Also, staff do not have any delegated authority to enter into such agreements, that may be appropriate to advance the City's Strategic Plan.
14. Staff have reached out to other municipalities to gain additional knowledge of what practices are currently in place for Deferral Agreements. Findings to date, suggest only limited consistency across municipalities.
15. The City's intensification plans for both its built boundary and the annexed lands will be achieved with the innovative financing tools identified in the City's fiscal impact analysis. These tools include receiving payments of DC's earlier in the development process, entering front end financing agreements with developers, and receiving voluntary contributions to cover costs not recoverable through the DCA. This strategy, seeking to collect DCs as early in the development process as possible, has been accepted by members of the development community who have signed a Memorandum of Understanding (MOU) accepting these principles.

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16. Notwithstanding the potential for the financial challenges noted above, there may be opportunities or developments that the City considers strategic in nature, and align with the City's overall Strategic Plans or policies. Such opportunities should be considered for deferral payment agreements under Section 27 of the *DCA*. However, such agreements should not undermine the principles or limit the financial resources needed to finance the City's Growth Management Plans.
17. City staff in Finance, Planning, and Economic Development, have identified some preliminary guiding principles to consider in drafting a Development Charge Deferral Policy, that include:
 - a) Affordable Housing Strategy
 - b) Intensification Corridors & Nodes (CIP)
 - c) Strategic Industrial Economic Development:
 - i. Advanced Manufacturing
 - ii. Research and Development
 - iii. Life Sciences
 - iv. Clusters
18. While SMI is a very positive investment for the City, entering into a DC deferral agreement will set a precedent for other industrial developments within the City. The City has not entered into any Industrial Deferral Agreements under the current DC By-law.

ENVIRONMENTAL MATTERS

19. There are no environmental matters related to the recommendations.

ALTERNATIVES

20. There are two alternatives available for consideration by Finance & Corporate Services Committee:

Alternative #1

Finance & Corporate Services Committee could choose to direct staff to prepare a DC Deferral Agreement using the terms requested by SMI.

This alternative is not recommended as it has not been determined whether the proposed development represents a strategic opportunity to the City. Also, such an agreement would set a precedent for any industrial development that occurs in the City, and finally, permitting credit terms without an interest component will result in the City receiving an amount less than the initial payment due.

Alternative #2

Finance & Corporate Services Committee could choose to direct staff to prepare a DC Deferral Agreement for all or part of the DC's payable by SMI, but charge interest based on the City's current borrowing rates from Infrastructure Ontario.

This alternative is not recommended as it has not been determined whether the proposed development represents a strategic opportunity to the City. Also, such an agreement would set a precedent for any industrial development that occurs in the City.

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FINANCIAL

21. The recommendations in this report have no immediate financial impacts to the City.

LINKAGE TO 2014-2018 STRATEGIC PLAN

22. The recommendation(s) included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:

Responsible Spending

23. The collection of DCs at the time of building permit for industrial development is consistent with the City's DC By-law and the City's Growth Management Plans that necessitate collecting DCs as early as possible in the development process.

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APPENDIX "A"

Letter from Streit Manufacturing Inc.

STREIT MANUFACTURING INC.

April 07, 2015

City Clerk
City of Barrie
70 Collier St.
PO Box 400
Barrie Ontario, L4M 4T5

Attention: Dawn McAlpine

Members of Counsel
Re: Development fees



Gentleman,

We have out grown our existing plants in Innisfil Ont. As such, we spent a great deal of time looking for the best place to relocate and have chosen Barrie as the perfect place to expand.

To this end we have purchased a parcel of on King St. It is our intent to construct a 75,000 sq. ft. manufacturing plant at that location. We anticipate our staffing needs will also grow to approximately 100. As the business continues to grow, we will be adding a second shift, which would entail hiring approximately a further 35 employees.

We are in the midst of going to several contractors for bids on a fixed price contract for the design of the building and construction of same. At the appropriate time we will be approaching the City for all of the required building permits.

We have been advised the potential development fees for the project will be approximately \$860,000. As you can appreciate this is a sizable amount of money at a time when the company is committing to a substantial investment in the land, construction, equipment, relocation costs etc.



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www.armored-cars.com

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STREIT MANUFACTURING INC.

We appreciate that the development fees are a required source of revenue for the City and a normal expense for a project such as ours. As such we are not asking for the fee to be waived or even a reduction in the amount to be charged, only that the payments be spread equally over a 4 year period.

We would appreciate an opportunity to meet with you to discuss our request at your earliest convenience.

Regards



Frank Kloepfer
Chief Financial Officer



Charlene Weir
Controller

- CC Jeff Lehman Mayor City of Barrie
- CC Hany Kirolos Director Business Development Dept.
- CC Peter Dyck Business Development Office
- CC Dave Read Zoning Administrative Office Building Services Dept.



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