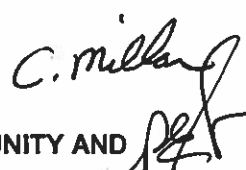



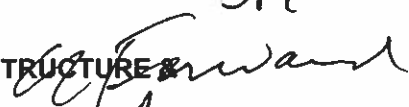

**TO:** GENERAL COMMITTEE


**SUBJECT:** DEVELOPMENT CHARGE DEFERRAL POLICY

**WARD:** ALL

**PREPARED BY AND KEY CONTACT:** C. MILLAR, DIRECTOR OF FINANCE AND TREASURER EXTENSION #5130

**SUBMITTED BY:** C. MILLAR, DIRECTOR OF FINANCE AND TREASURER 

**GENERAL MANAGER APPROVAL:** P. ELLIOTT-SPENCER, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES   
R. FORWARD, GENERAL MANAGER OF INFRASTRUCTURE & GROWTH MANAGEMENT   
Z. LIFSHIZ, EXECUTIVE DIRECTOR INVEST BARRIE 

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

**RECOMMENDED MOTION**

1. That the Development Charge Deferral Policy attached as Appendix "A" to staff report FIN013-15 be endorsed.
2. That together, the General Manager of Community and Corporate Services, the General Manager of Infrastructure and Growth Management, the Executive Director of Invest Barrie, and the Director of Finance/Treasurer, be delegated authority to approve applications for development charge deferrals in accordance with the Policy.
3. That the Director of Finance/Treasurer and City Clerk, be authorized to enter into Development Charge Deferral Agreements in accordance with the Policy, in a form satisfactory to the Director of Legal Services.
4. That the Fees By-law be amended to add the following new fee:
  - a) An application fee (new) for reviewing and processing development charge deferral requests payable upon application - \$1,000.

**PURPOSE & BACKGROUND**

**Report Overview**

5. At the May 27, 2015 meeting, Finance and Corporate Services Committee received the report attached in Appendix "B", and gave staff the following direction:

"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 before the summer recess with a recommended policy that includes consideration of the nature of the STREIT Manufacturing request."

**ANALYSIS**

Corporate Development Charge Deferral Policy

6. In evaluating and comparing Development Charge (DC) deferral policies, it is important to assess a municipality's stage of development and reliance on development revenues to fund capital growth needs.
7. As described in the previous report (Appendix "B"), 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 (FIA). 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 *Development Charges Act*. These tools are necessary to ensure that the City has the required funds on hand to finance growth driven infrastructure. This strategy, seeking to collect DCs as early in the development process as possible, has been accepted by members of the development community in the annexed lands, who have signed a Memorandum of Understanding (MOU) accepting these principles.
8. In order to ensure the City realizes the full benefit of these new tools, the report in Appendix "B" noted that deferral agreements should be used in very limited situations. Primarily for non-residential developments that advance strategic industrial employment opportunities, and only for residential developments for affordable housing initiatives.
9. Additionally, the need for a deferral agreement should be presented by the applicant to ensure the City is not replacing available private sector financing options.
10. Staff have reached out to other municipalities to gain additional knowledge of what practices are currently in place for Deferral Agreements. The table below summarizes these findings:

	Halton Hills	Hamilton	Oakville	Markham
Term of Deferral (years)	Up to 10 years	Up to 5 years	Up to 5 years	Treasurer sets term
Eligibility Criteria	Non-residential	Non-residential	Non-residential	Affordable and Special Needs Housing  Servicing Constraints  Multi-phased Development  Economic Benefit
Agreement	Registered on title	Registered on title	Letter of Credit or registered on title	Letter of Credit
Processing Fee	\$280 (application)	\$750 (application)	\$500 (application)	\$1,000 (application)  1% of deferred value (fee)

From the survey of other municipal practices, deferral agreements are generally limited to non-residential developments and affordable housing initiatives. As well, agreements are secured by Letters of Credit, and are also registered on title.

11. Staff are proposing the creation of a Development Charge Deferral Policy that balances the City's growth management financing needs, while providing flexibility to be competitive in supporting strategic Industrial applications. The policy is recommending only those applications that support employment opportunities associated with the following industrial categories be considered:
  - a) Advanced Manufacturing as a core operation;
  - b) Research and Development; and,
  - c) Target Industries including; Life Sciences, (Medtech, Medical Devices, Pharmaceuticals), Food Processing, and Technology (Data Centres, Technology Hardware, Software Development).
12. The recommended Policy delegates authorization to staff to enter into development charge deferral agreements associated with industrial applications as note in paragraph 11 above. The parameters of any agreements under the policy include:
  - a) Deferral amounts limited to \$1,000,000;
  - b) Payments amortized over a period not to exceed four years;
  - c) Interest charged at the prime lending rate of the City's bank plus one per cent;
  - d) Agreement secured by an irrevocable Letter of Credit secured by a financial institution;
  - e) Agreement will be registered on title; and,
  - f) Application fee of \$1,000.

Any application requests that do not meet the eligibility criteria will be submitted to General Committee for consideration through a staff report.

13. At this time, Staff are recommending the creation of a separate Development Charge Deferral Policy specific to Affordable Housing. This policy will be developed, with reference to the City's Affordable Housing Strategy, and in conjunction with the Build Form Task Force. It is expected the policy will be provided to General Committee for consideration later in the fall of this year.
14. In relation to STREIT Manufacturing's request (Appendix "B"), under the recommended Policy, staff would consider a deferral agreement following the parameters of the Policy and application process summarized in paragraphs 11 and 12 above.

### **ENVIRONMENTAL MATTERS**

15. There are no environmental matters related to the recommendation.

### **ALTERNATIVES**

16. The following alternatives are available for consideration by General Committee:

#### **Alternative #1**

General Committee could choose to not endorse the attached Development Charge Deferral Policy, but instead evaluate all deferral requests that come forward on an ad hoc basis.

This alternative is not recommended as the proposed Policy does allow for any agreements that are denied by staff to still be considered by General Committee. Giving staff some parameters to enter into such agreements, does allow for more efficient processing of such requests.

**Alternative #2**

General Committee could choose to not charge interest and/or an application fee for processing such requests.

This alternative is not recommended as permitting credit terms without an interest component will result in the City receiving an amount less than the initial payment due. Further, reviewing applications and drafting legal agreements, does require the use of internal resources. Such costs are not eligible to be recovered directly from development charges, and should not be transferred to the tax levy.

**FINANCIAL**

17. While the City will receive the development charge revenue, there is an impact on the City's cash flows if a significant amount of DC's are deferred. Therefore staff have recommended the agreements be interest bearing and limited to strategic, non-residential developments and affordable housing initiatives, as well as placing a cap on the maximum amount of Development Charges that can be deferred.

**LINKAGE TO 2014-2018 STRATEGIC PLAN**

18. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:
  - Responsible Spending
19. 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"

Development Charge Deferral Policy

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**TITLE:** DEVELOPMENT CHARGE DEFERRAL POLICY

**NUMBER:** FIN-001-2015

**CATEGORY:** DEVELOPMENT CHARGES

**DATE:** JUNE 22, 2015

**REFERENCES:** STAFF REPORT FIN 013-15

BY-LAW #

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**PURPOSE**

The Development Charge Deferral Policy establishes guidelines related to applications for, and the administration and issuance of, development charge deferrals to applicants.

**BACKGROUND**

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 (FIA). 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 *Development Charges Act (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.

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 can be considered for deferral payment agreements under Section 27 of the *DCA*, which states:

*"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)".*

**POLICY DETAILS**

Agreements to defer the payment of development charges shall be based on the following terms:

1. Together, the General Manager of Community and Corporate Services, the General Manager of Infrastructure & Growth Management, the Executive Director of Invest Barrie, and the Director of

Finance/Treasurer may approve up to a four year deferral for an eligible development based on the following criteria:

- a) Affordable Housing:
    - i) Will be considered under the Affordable Housing Development Charge Deferral Policy, or if policy is not in existence will be considered directly by Council.
  - b) Industrial use:
    - i) The development meets the definitions of Industrial uses as per the City's Development Charge By-law.
  - c) In relation to paragraph b) above, only those applications that support employment opportunities associated with the following industrial categories be considered:
    - i) Advanced Manufacturing as a core operation;
    - ii) Research and Development;
    - iii) Target Industries including; Life Sciences, (Medtech, Medical Devices, Pharmaceuticals), Food Processing, and Technology (Data Centres, Technology Hardware, Software Development).
  - d) Total development charges eligible for deferral must not be less than \$50,000 and to a maximum of \$1,000,000.
2. Notwithstanding the aforementioned eligibility criteria, a deferral request may be refused if actual Development Charge revenues collected to date are 20 per cent or more below the revenues forecasted in the City's Development Charge Background study.
  3. Any application requests that do not meet the eligibility criteria will be submitted to General Committee for consideration through a staff report.
  4. Payments are to be amortized over a period not to exceed four years at the prime lending rate of the City's bank, plus one per cent.
  5. Equal Payments will be made quarterly with the first payment due at the issuance of a building permit.
  6. The owner agrees to pay an administration fee, to cover legal and finance costs, in the amount of \$1,000 (plus HST) payable upon application. This fee will be reviewed annually with all other City fees and is subject to change as outlined in the City's Fees Bylaw.
  7. The owner must provide securities in the amount of the applicable development charges plus interest amounts. The owner will post an irrevocable Letter of Credit issued by a financial institution.
  8. The agreement will be registered on title.
  9. If the owner requires a building permit issued prior to the completion of the Deferral Agreement process, the owner must provide a Certified Cheque or irrevocable Letter of Credit with a financial institution, acceptable to the Director of Finance/Treasurer. The Certified Cheque or Letter of Credit will be returned to the owner once the Agreement has been fully executed and finalized.

10. Any late payment would deem the agreement in default and the amount unpaid would be recovered by either drawing on the Letter of Credit or adding the amount to the property tax roll and collected in the like manner as taxes.

#### **ADMINISTRATION PROCESS**

1. Applicant to provide written request to the Director of Finance/Treasurer, prior to the issuance of a building permit, for partial or full deferral of the City's Development Charges.
2. The Director of Finance/Treasurer will require the following information in order to process the request:
  - a) Why the deferral is requested;
  - b) A footprint of the building;
  - c) Proposed building uses and timing of occupancy;
  - d) Where applicable, proof of registration with Canada Customs and Revenue Agency;
  - e) Where applicable, proof of registration with appropriate Province of Ontario Ministry.

#### **REPORTING**

The Director of Finance/Treasurer will report to General Committee advising of all the approved applications as part of the annual Development Charge Report.

#### **POLICY REVIEW**

The earlier of each new term of Council or the next Development Charge By-law update.

APPENDIX "B"

Report to Finance and Corporate Services Committee  
May 27, 2015

**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.



APPENDIX B (Continued)

Report to Finance and Corporate Services Committee  
May 27, 2015

**Report to Finance and Corporate  
Services Committee**

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.

**APPENDIX B (Continued)**

**Report to Finance and Corporate Services Committee**  
**May 27, 2015**

**Report to Finance and Corporate  
Services Committee**

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.

APPENDIX B (Continued)

Report to Finance and Corporate Services Committee  
May 27, 2015

**Report to Finance and Corporate  
Services Committee**

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.

APPENDIX B (Continued)

Report to Finance and Corporate Services Committee  
May 27, 2015

**Report to Finance and Corporate  
Services Committee**

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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APPENDIX B (Continued)

Report to Finance and Corporate Services Committee  
May 27, 2015

**Report to Finance and Corporate  
Services Committee**

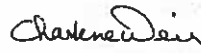
**STREET MANUFACTURING INC.**

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 Kroepfer  
Chief Financial Officer

  
Charlene Weir  
Controller

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

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