

**The Regional Municipality of Halton
1151 Bronte Road, Oakville**



AGENDA

DEVELOPMENT CHARGES ADVISORY COMMITTEE

Thursday, November 17, 2016

To be held at

9:30 a.m.

Halton Room

Halton Regional Centre

CONTACT INFORMATION:

Paula Kobli, Senior Advisor – Development Admin.

Tel: 905-825-6000 ext. 7184

Toll free: 1-866-4HALTON (1-866-442-5866)

TTY: 905-827-9833

E-Mail: Paula.Kobli@halton.ca

WE REQUEST YOUR CO-OPERATION IN MAINTAINING THE FOCUS OF COMMITTEE AND COUNCIL MEETINGS. PLEASE ENSURE THAT ALL PAGERS AND CELLULAR TELEPHONES ARE SWITCHED TO A NON-AUDIBLE FUNCTION DURING YOUR ATTENDANCE AT THESE MEETINGS.

THANK YOU FOR YOUR ASSISTANCE.

THE REGIONAL MUNICIPALITY OF HALTON

MEETING NO. 04-16

NAME OF COMMITTEE: DEVELOPMENT CHARGES ADVISORY COMMITTEE

DATE OF MEETING: Thursday, November 17, 2016
9:30 a.m.

PLACE OF MEETING: Halton Room
Halton Regional Centre
1151 Bronte Road
Oakville, Ontario

AGENDA

DISCLOSURES OF PECUNIARY INTEREST

REGULAR AGENDA

1. Confirmation of Minutes of Development Charges Advisory Committee Meeting No. 03-16 held Thursday, November 3, 2016 (Agenda Pages 1 – 32)
2. Adjustments to Residential Growth and Revised DC Rates
3. DC Policy Review
4. Growth Challenges
5. Asset Management Plan
6. Wrap Up

OTHER BUSINESS

ADJOURNMENT

COMMITTEE MEMBERS

Gary Carr, Regional Chair
Jane Fogal, Councillor, Town of Halton Hills
Dave Gittings, Councillor, Town of Oakville
Gord Krantz, Mayor, Town of Milton
Paul Sharman, Councillor, City of Burlington
Jack Dennison, Councillor, City of Burlington (Alternate)
Jesin Ghatalia, Citizen Representative
Herb Lewington, Citizen Representative
Syed Raza, Citizen Representative
Sunil Vidyarthi, Citizen Representative
Gary Gregoris, Building Industry and Land Development Association (BILD)
Phil King, Building Industry and Land Development Association (BILD)
Ornella Richichi, Building Industry and Land Development Association (BILD)
Suzanne Mammel, Hamilton-Halton Homebuilders Association (HHHBA)
Howard Mott, Halton Economic Development Partnership
David Woodiwiss, Halton Economic Development Partnership

STAFF REPRESENTATION

Mark Scinocca, Commissioner of Finance and Regional Treasurer
Jinsun Kim, Director of Financial Planning & Budgets
Matthew Buist, Manager, Development Financing & Administration
Paula Kobli, Senior Advisor – Development Admin.
Graham Milne, Deputy Clerk and Supervisor of Council & Committee Services

CIRCULATION

Jane MacCaskill, Chief Administrative Officer
Mark G. Meneray, Commissioner of Legislative & Planning Services and Corporate Counsel
Bob Gray, Director of Legal Services
Jim Harnum, Commissioner of Public Works
Lisa De Angelis, Director, Infrastructure Planning & Policy
Lynne Simons, Director of Policy Integration & Communications
Ron Glenn, Director of Planning Services & Chief Planning Official
John Davidson, Director of Economic Development
Vito Cairone, Assistant Corporate Counsel

THE REGIONAL MUNICIPALITY OF HALTON

MEETING NO. 03-16

NAME OF COMMITTEE: DEVELOPMENT CHARGES ADVISORY

DATE OF MEETING: Thursday, November 3, 2016
9:30 a.m.

PLACE OF MEETING: Halton Room
Halton Regional Centre
1151 Bronte Road
Oakville, Ontario

MEMBERS PRESENT: Councillor Paul Sharman (Chair)
Councillor Jane Fogal (left at 11:59 a.m.), Councillor Dave Gittings, Mayor Gord Krantz, Herb Lewington, Syed Raza, Sunil Vidyarthi (arrived at 9:36 a.m.), Gary Gregoris, Phil King (left at 11:43 a.m.), Ornella Richichi, Suzanne Mammel, David Woodiwiss
Gary Carr, Regional Chair

OTHER COUNCILLORS PRESENT: Councillor Jack Dennison (arrived at 9:42 a.m. and left at 11:42 a.m.)

REGRETS: Jesin Ghatalia, Howard Mott

STAFF PRESENT: Mark Scinocca, Jim Harnum, Jinsun Kim, John Davidson, Matt Buist, Paula Kobli, Graham Milne

REGIONAL CONSULTANTS PRESENT: Eric Karvinen, Watson & Associates Economists Ltd.
Gary Scandlan, Watson & Associates Economists Ltd.
Jamie Cook, Watson & Associates Ltd.

Members of Administration and Finance Committee:

The Development Charges Advisory Committee met on the above-noted date and recommends the following:

DISCLOSURES OF PECUNIARY INTEREST

There being no disclosures of pecuniary interest, the Committee proceeded with the regular order of business.

DEVELOPMENT CHARGES ADVISORY COMMITTEE MEETING NO. 03-16
THURSDAY, NOVEMBER 3, 2016

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REGULAR AGENDA

1. Confirmation of Minutes of Development Charges Advisory Committee Meeting No. 02-16 held Thursday, October 20, 2016

RECOMMENDATION

THAT the Minutes of Development Charges Advisory Committee Meeting No. 02-16 held Thursday, October 20, 2016 be confirmed as circulated.

CARRIED

2. DC Rate Calculations

Mark Scinocca, Commissioner of Finance and Regional Treasurer, presented the DC rate calculations and a correction to slide #33 of the presentation made at the October 20, 2016 DCAC meeting. For the DC calculation, he provided breakdowns for the capital infrastructure costs for water & wastewater, transportation and general services, and the adjusted growth for both residential and non-residential development. He then explained the DC By-law structure and provided a comparison of Halton's proposed DC rates to DC rates across the GTA. The presentation concluded with a brief introduction to the retail conversion policy in advance of more in-depth DC policy discussion at Meeting #4. A copy of the presentation is appended to the minutes.

Mark reiterated the expected timeline for the development charges update process: the committee is consulting on the preparation of the DC Background Study, and once it is released there will be a public consultation from January to March 2017 during which time staff will be pleased to meet with any interested parties. Final recommendations will be made to the Administration and Finance Committee in May of 2017 with expected approval by Regional Council in June, 2017. The current development charges by-law expires in September 2017.

3. Competitiveness

Eric Karvinen, Watson & Associates, presented the findings from Halton Region's 2016 Competitiveness Study, which examines non-residential cost of development competitiveness and feasibility, and includes comparators to other municipalities in the GTA and GTHA. A copy of the presentation is appended to the minutes.

DEVELOPMENT CHARGES ADVISORY COMMITTEE MEETING NO. 03-16
THURSDAY, NOVEMBER 3, 2016

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4. Action Items

- Details on the adjusted growth for DC calculation for both residential and non-residential;
- Details on the Total Built Boundary (BB) sq. ft. and land available to absorb the planned growth;
- Details of Trip Rate;
- Milton WWTP Decommissioning Costs – further information regarding the transmission of waste effluent to the Mid-Halton Wastewater Treatment Plant;
- Details on contingencies and additional costs over and above construction costs (i.e. 35% additional costs);
- Residential DCs as a proportion of the cost to construct a home.

OTHER BUSINESS

A replacement to page 3 (residential average day water demand) of the Supplementary Information Package #2 that had been distributed following the October 20, 2016 meeting was provided to the committee.

There was no other business.

ADJOURNMENT

Adjournment: 12:01 p.m.

2017 Development Charges Update

Development Charges Advisory
Committee

November 3, 2016



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Agenda

A. DC Rate Calculations:

- i. Total Costs
- ii. Adjusted Growth
- iii. Rate Calculations

B. By-law Structure & DCs

C. DC Comparison

D. Retail Conversion



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A. DC Rate Calculations



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Transportation Capital Cost - Revised (\$000's)

Category	Gross Cost 2017 - 2031	Less:		Net Cost	Res.	Non Res
		Non-Growth (BTE)	Post Planning Period			
Road Reconstruction	\$ 51,247	\$ 51,247	\$ -	\$ -	\$ -	\$ -
Road Widening	1,325,581	186,702	73,866	1,065,013	681,607	383,405
Reconstruction with Widening	195,272	44,346	6,153	144,773	92,655	52,118
New Alignment	316,054	438	25,701	289,915	185,545	104,369
Structures/Grade Seperation	120,593	6,786	-	113,807	72,837	40,971
ATMP	42,667	6,727	-	35,940	23,002	12,938
Studies/Other	138,552	92,497	-	46,055	29,475	16,580
Total	\$ 2,189,966	\$ 388,744	\$ 105,720	\$ 1,695,502	\$ 1,085,121	\$ 610,381



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Transportation Capital Cost - Revised (\$000's)

Category	Gross Cost 2017 - 2031	Less:		Net Cost	Res.	Non Res
		Non-Growth (BTE)	Post Planning Period			
Per Oct. 20 DCAC	\$ 2,189,966	\$ 447,258	\$ 105,720	\$ 1,636,988	\$ 1,047,669	\$ 589,319
Per Revised	2,189,966	388,744	105,720	1,695,502	1,085,121	610,381
Difference	\$ 2,189,966	\$ (58,514)	\$ -	\$ 58,514	\$ 37,452	\$ 21,062



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i. Total Costs - Capital Infrastructure Costs (\$millions)

Services	Gross Cost	Less:				Net Growth		
		Benefit to Existing Dev't	Subsidy, Dev Contbt'n	Post Period Capacity	10% Statutory Deduc't	Total	Res	N-res
WWW (2017-2031):								
Water	\$ 535.1	\$ 11.4	\$ -	\$ 43.6	\$ -	\$ 480.1	\$ 357.7	\$ 122.4
Wastewater	625.7	95.8	-	18.0	-	511.9	379.6	132.3
Sub-Total	\$ 1,160.8	\$ 107.2	\$ -	\$ 61.6	N/A	\$ 992.0	\$ 737.3	\$ 254.6
Roads (2017-2031)	\$ 2,189.9	\$ 388.7	\$ -	\$ 105.7	N/A	\$ 1,695.5	\$ 1,085.1	\$ 610.4
General Servc (2017-2026):								
Growth Studies	\$ 16.6	\$ 4.6	\$ -	\$ -	\$ 0.1	\$ 11.9	\$ 8.4	\$ 3.4
Police (2017-2031)	115.8	36.7	-	25.7	-	53.4	37.8	15.6
Paramedics	25.5	8.4	-	10.1	0.7	6.3	5.5	0.7
Facilities	11.8	3.6	-	1.2	0.5	6.5	5.6	0.8
Social Housing	95.0	47.5	-	-	4.8	42.8	42.8	-
Waste Diversion	9.8	4.8	-	1.7	0.3	2.9	2.8	0.1
Waterfront Parks	40.1	9.8	2.3	18.2	1.0	8.9	8.4	0.4
Sub-Total	\$ 314.5	\$ 115.4	\$ 2.3	\$ 57.0	\$ 7.3	\$ 132.6	\$ 111.4	\$ 21.2
Total	\$ 3,665.3	\$ 611.3	\$ 2.3	\$ 224.3	\$ 7.3	\$ 2,820.0	\$ 1,933.8	\$ 886.2

Note: May not add due to rounding



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i. Total Costs – Water & Wastewater (\$000's)

Costs	Residential	Non-Residential	Comments
Reserve Fund Balance	\$ (5,897)	\$ -	Projected 2016 year-end balances
Unfunded Capital Costs	372,505	-	Remaining expenditures in the 2012 Allocation program
2012 Allocation Front End Payment	(372,505)	-	Front end payment for from remaining expenditures in 2012 Allocation program
Internal Debt	-	227,662	Regional Interim Financing to be recovered up to 2016
External Debt Charges	104,412	54,315	Outstanding debt charge for projects proceeded or approved up to 2016 (e.g. Sinking fund for employment land servicing, Skyway WWTP)
DC Credits	-	4,188	Remaining DC credits relating to S. 14 of the DC Act and developer up-front financing provided under CS-52-03.
Oversizing - Historic	16,054	8,226	Oversizing costs carried from previous DC Studies
Net Growth Cost	737,315	254,643	DCAC Meeting #2
Interest/Inflation	(2,768)	40,683	Assumed 2.0% inflation, 3.5% interest
Total	\$ 849,115	\$ 589,718	



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i. Total Costs – Transportation (\$000's)

Costs	Residential	Non-Residential	Comments
Reserve Fund Balance	\$ 43,777	\$ -	Projected 2016 year-end balances
Unfunded /Internal Borrowing	33,530	122,532	Unfunded capital works approved to 2016 and Regional interim financing to be recovered from non-residential DCs up to 2016
DC Credits	-	169	Remaining DC credits relating to S. 14 of the DC Act.
Oversizing - Historic	3,242	2,161	Oversizing costs carried from previous DC Studies
Net Growth Cost	1,085,121	610,381	DCAC Meeting #2 adjusted for BTE revision
Interest/Inflation	4,075	37,608	Assumed 2.0% inflation, 3.5% interest
Total	\$ 1,169,745	\$ 772,851	



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i. Total Costs – General Services (\$000's)

Services	Net Growth	External Debt	Interest/ Inflation	Reserve Fund Balance	Total		
					Total	Res	Non- Residential
Growth Studies	\$ 11,863.4	\$ -	\$ 374.4	\$ 4,754.3	\$ 16,992.1	\$ 11,352.7	\$ 5,639.4
Police	18,806.3	40,445.9	(4,420.9)	1,833.4	56,664.8	38,627.2	18,037.6
Paramedic Services	6,285.8	-	323.3	1,815.2	8,424.3	7,346.4	1,077.9
Facilities	6,470.8	-	88.0	661.6	7,220.4	6,345.4	875.0
Social Housing	42,750.0	-	(476.1)	(1,444.9)	40,829.0	40,829.0	-
Waste Diversion	2,936.5	-	17.8	-	2,954.3	2,805.9	148.5
Waterfront Parks	8,864.3	-	365.1	-	9,229.4	8,765.5	463.9



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ii. Adjusted Growth – Residential (SDEs)

	W/WW	Roads	General Services
BPE Total new units	83,263	83,263	57,156
Rural units	(272)	n/a	n/a
Net	82,991	83,263	57,156
Adjustments for DC Calculation:			
Convert to SDE (PPU 3.52)	62,863	63,111	41,733
Unit Adjustment	-	3,486	5,398
Institutional *	789	791	538
Net SDEs	63,652	67,388	47,669

*Population related institutional (i.e. long-term care)



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ii. Adjusted Growth - Non-residential (sq.ft.)

	W/WW	Roads
TFA (2017-2031)	72,223,448	72,223,448
Sq.Ft. Adjustment	42,519,982	42,519,982
Rural	190,672	n/a
Institutional *	(1,083,219)	(1,083,219)
Net TFA	113,850,883	113,660,211

*Population related institutional employment



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iii. DC Rate Calculations - W/WW & Transportation (2017-2031) (Region-wide, Uniform DC for illustration)

Residential	W/WW	Roads
Total Costs (\$000's)	\$ 849,115	\$ 1,169,745
SDE (adjusted)	63,652	67,388
\$DC/SDE	\$ 13,340	\$ 17,358
Non-residential		
Total Costs (\$000's)	\$ 589,718	\$ 772,851
Sq. Ft. (adjusted)	113,850,883	113,660,211
\$DC/Sq.Ft.	\$ 5.18	\$ 6.80



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iii. DC Rate Calculations - General Services (2017-2026)

Services	Residential DC (\$/SDE)			Non-Residential DC (\$/Sq.Ft.)		
	Total Costs (\$000's)	SDEs	DCs	Total Costs (\$000's)	Sq.Ft.	DCs
Growth Studies	\$ 11,352.7	47,210	\$ 240.5	\$ 5,639.4	44,258,080	\$ 0.127
Police (2017-2031)	\$ 38,627.2	68,588	\$ 563.2	\$ 18,037.6	113,660,213	\$ 0.159
Paramedic Services	\$ 7,346.4	47,210	\$ 155.6	\$ 1,077.9	44,258,080	\$ 0.024
Facilities	\$ 6,345.4	47,210	\$ 134.4	\$ 875.0	44,258,080	\$ 0.020
Social Housing	\$ 40,829.0	47,210	\$ 864.8	n/a	n/a	n/a
Waste Diversion	\$ 2,805.9	47,210	\$ 59.4	\$ 148.5	44,258,080	\$ 0.003
Waterfront Parks	\$ 8,765.5	47,210	\$ 185.7	\$ 463.9	44,258,080	\$ 0.010
Total			\$ 2,203.6			\$ 0.344

* SDE captures growth of 2012 and 2013 as full DC collection is expected by the end of 2013



B. By-law Structure & DCs



DC By-law Structure

- As part of the 2017 DC Update, consideration was given to area specific area charges
- The Region will be considering area specific charge for water and wastewater services, which differentiates the distribution/ collection charge portion of the rate for Built Boundary and Greenfield
- Residential DC rate structure for dwelling types will remain unchanged
- Non-residential DC rate will continue to be differentiated between retail and non-retail
- Front-end recovery charge for residential development will be added commencing January 1, 2017



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2017 DC By-law Structure

	<u>Areas Applied</u>	<u>Planning Period</u>
1. Water/Wastewater:		
A. Capacity	Region-wide	2017-2031
B. Distribution/Collection:	Area-specific	2017-2031
(i) Greenfield		
(ii) Built Boundary		
2. Roads	Region-wide	2017-2031
3. Police	Region-wide	2017-2031
4. Other General Services	Region-wide	2017-2026



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W/WW DCs for Greenfield vs Built Boundary

	Region-wide DC	(1)	(2)	(3)
		Capacity DC Region-wide	Distribution & Collection DC Greenfield	Built Boundary
Residential				
Total Costs (\$000's)	\$ 849,115	\$ 120,638	\$ 628,069	\$ 99,897
SDE (adjusted)	63,652	63,652	42,862	20,790
\$DC/SDE	\$ 13,340	\$ 1,895	\$ 14,653	\$ 4,805
DC by Areas:				
Greenfield (1) + (2)			\$ 16,548	
Built Boundary (1) + (3)				\$ 6,700
Non-residential				
Total Costs (\$000's)	\$ 589,718	\$ 248,190	\$ 317,155	\$ 23,648
Sq.Ft. (adjusted)	113,850,883	113,850,883	76,897,589	36,953,295
\$DC/Sq.Ft.	\$ 5.18	\$ 2.18	\$ 4.12	\$ 0.64
DC by Areas:				
Greenfield (1) + (2)			\$ 6.30	
Built Boundary (1) + (3)				\$ 2.82



Residential DC Rate Per SDE

Service	As Of April 1, 2016		New Calculated		
	Greenfield	Built-Bndry	Region - Wide	Area Specific	
				Greenfield	Built-Bndry
Water & Wastewater	\$ 21,215	\$ 11,658	\$ 13,340	\$ 16,548	\$ 6,700
Roads	14,121	14,121	17,358	17,358	17,358
General Services	1,105	1,105	2,204	2,204	2,204
GO Transit ¹	1,084	1,084	1,084	1,084	1,084
Total	\$ 37,526	\$ 27,968	\$ 33,986	\$ 37,195	\$ 27,347

Front-end Recovery Charge for 2012 Allocation program (estimated)

Water & Wastewater	n/a	n/a	\$ 9,032	\$ 9,032	\$ 9,032
Roads	n/a	n/a	1,423	1,423	1,423
Total	\$ 37,526	\$ 27,968	\$ 44,441	\$ 47,650	\$ 37,802

1. GO Transit requirements are beyond the scope of this study. However, GO DC is shown in this table for the purposes of presenting a total quantum of DCs



Residential DC Rate Structure

Unit Type	Total	
	Greenfield	Built Boundary
Single and Semi-Detached	\$37,194.89	\$27,346.84
Multiples - 3 or More Bedrooms	29,678.11	21,730.75
Multiples - Less than 3 Bedrooms	21,831.40	16,051.90
Apartments - 2 or More Bedrooms	18,256.43	13,411.48
Apartments - Less than 2 Bedrooms	14,189.21	10,455.56
Special Care/Need & Access Dwelling	11,619.34	8,543.95

Note: May not add due to rounding



Differentiated Roads Non-Res DC - Trip Rates by Development Type


Based on PM Peak Weekday		
	Category	Net Trip Rate
Retail	Shopping Centre	2.41
	Finance & Insurance	3.05
	Entertainment/Recreation	4.41
	Food Services	7.26
	Other	2.49
	Average Rate	3.72
Non-Retail	Industrial	0.66
	Institutional	1.23
	Office	1.60
	Accommodation	0.88
	Average Rate	0.73







Differentiated Roads Non-Res DC

	(1)	(2)	(3)	(4)	(5)	(6)
Category	Sq. Ft	PM Peak Trip Rates	PM Peak Trips (1) x (2)	% Trips	Revenue (Uninflated) (Total Revenues x (4))	\$DC (5) / (1)
Retail	8,489,630	3.72	31,558,242	29%	\$ 224,298,772	\$ 26.42
Non-Retail	105,170,581	0.73	77,179,816	71%	548,552,039	\$ 5.22
Total	113,660,211		108,738,058	100%	\$ 772,850,811	

Uniform DC rate..... \$ 6.80




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Non-Residential DC Per Sq.Ft.

Service	As Of April 1, 2016				New Calculated					
	Greenfield		Built-Bndry		Region-Wide		Area Specific			
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail
Water & Wastewater	\$ 7.70	\$ 7.70	\$ 4.57	\$ 4.57	\$ 5.18	\$ 5.18	\$ 6.30	\$ 6.30	\$ 2.82	\$ 2.82
Roads	18.24	5.04	18.24	5.04	26.42	5.22	26.42	5.22	26.42	5.22
General Services	0.29	0.29	0.29	0.29	0.34	0.34	0.34	0.34	0.34	0.34
Total	\$ 26.23	\$ 13.03	\$ 23.10	\$ 9.90	\$ 31.94	\$ 10.74	\$ 33.07	\$ 11.86	\$ 29.58	\$ 8.38



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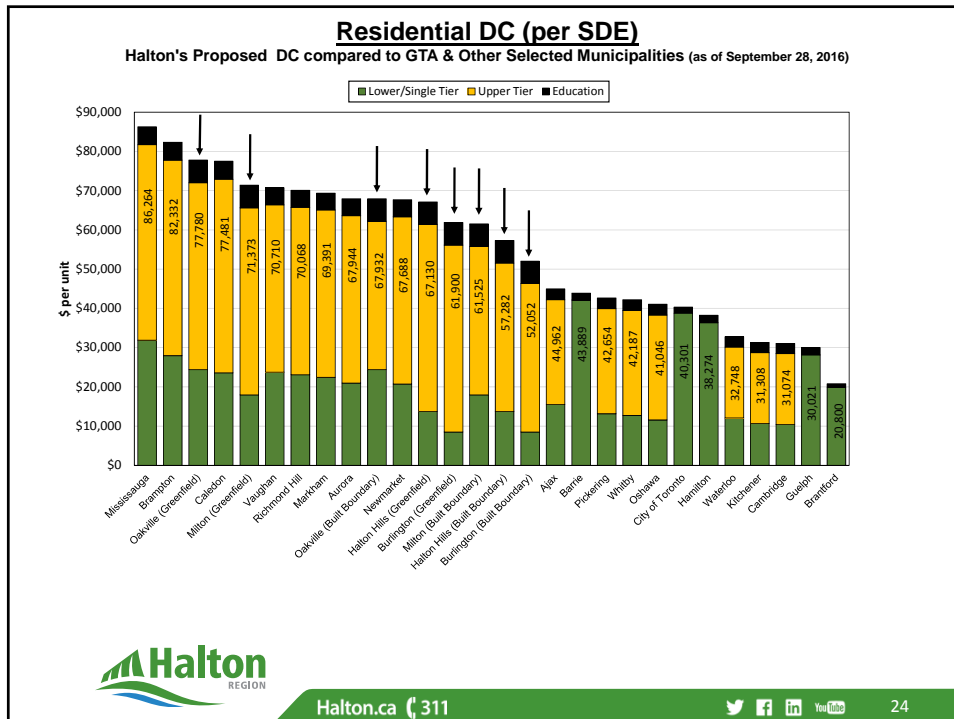
C. DC Comparison



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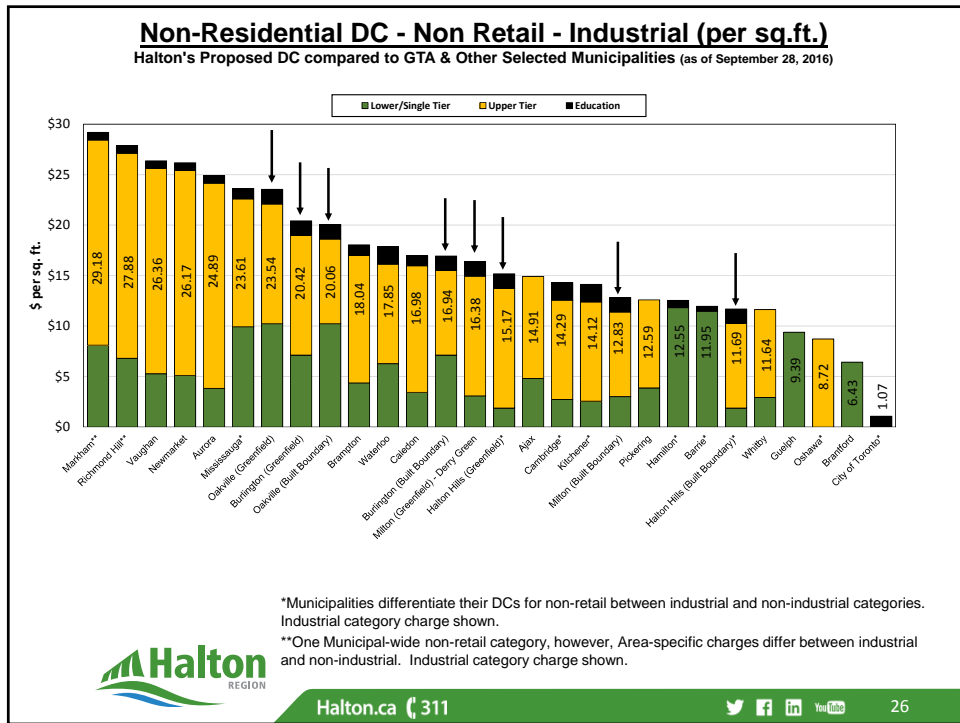
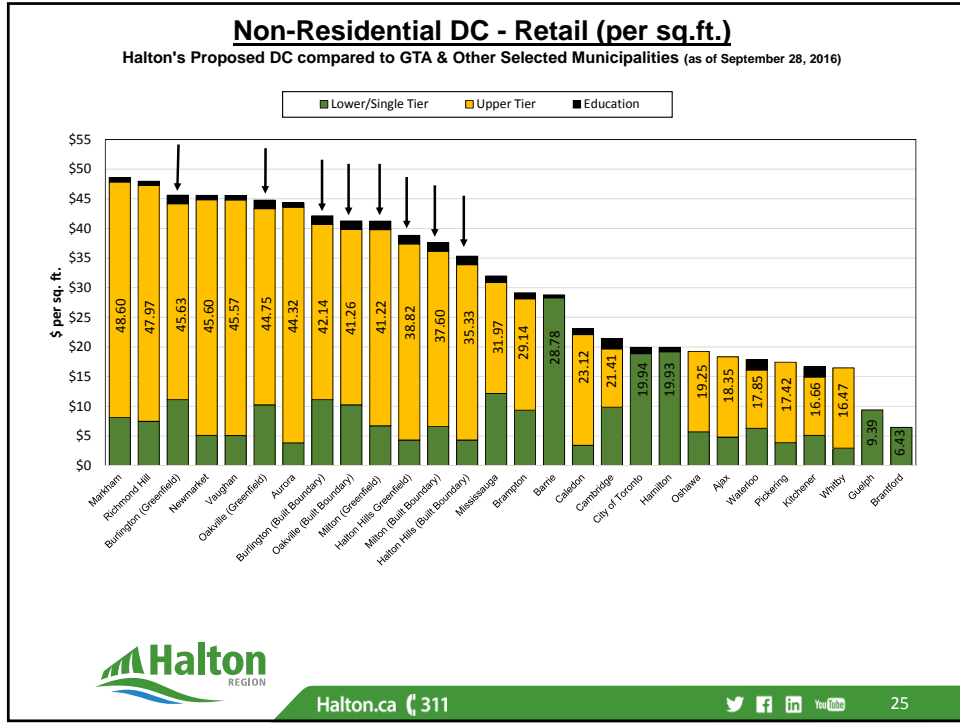
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*Municipalities differentiate their DCs for non-retail between industrial and non-industrial categories. Industrial category charge shown.
 **One Municipal-wide non-retail category, however, Area-specific charges differ between industrial and non-industrial. Industrial category charge shown.

D. Retail Conversion Policy



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Retail Conversion

Existing Issues/Challenges:

- Under the current policy the DC credit does not apply if the retail conversion is over 3,000 sq. ft.
- Industrial buildings in the BB area are often sitting vacant for a long period
- A few infill redevelopment opportunities to convert existing industrial buildings to retail have been lost due to high DC requirement

Item for Consideration:

- Revise the retail conversion policy to encourage re-use of existing larger buildings in the Built Boundary area
- Provide retail DC conversion credit for the first 10,000 sq. ft. or 25% TFA , whichever is greater

Financial Implications:

- Based on retail conversion activities observed during the implementation of By-law 48-12;
 - Of 23 cases, over 80% would be fully exempt from DCs under the proposed policy;
 - This translates to an additional DC exemption cost of approximately \$900,000 when compared to the current policy.



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Halton Region

**Competitiveness Study
Cost of Development Findings**

**Development Charges Advisory
Committee**

November 3, 2016



Introduction

- ▣ Halton Region's 2016 Competitiveness Study includes an examination of non-residential cost of development competitiveness and feasibility.
- ▣ Analysis includes Halton area municipalities and comparator municipalities in the GTHA and GGH.
- ▣ Analysis updates and builds on 2011 Investment Readiness and Competitiveness Study (2011 Competitiveness Study)



Introduction (cont'd)

- Findings from the Study presented herein is intended to provide insight to the DC Advisory Committee with respect to:
 - The total cost of development and feasibility of typical industrial, office and retail development within Halton in comparison to other municipalities in the broader market; and
 - The impact on competitiveness for industrial, office and retail development within Halton under the proposed DC rates.

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Outline of Presentation

- Overview of Study Approach and Methodology
- Cost of Development – Key Components
- Cost of Development – 2011 vs. 2016
- Cost of Development– Municipal Comparative Analysis
- Development Feasibility (Residual Land Value Analysis)– Municipal Comparative Analysis

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Overview of Prototypical Development Typologies

- Cost of development competitiveness and feasibility assessed across a range of prototypical non-residential developments:

Industrial (General Industrial Building)	<ul style="list-style-type: none"> • 75,000 sq ft. • 150,000 sq.ft. • 300,000 sq. ft. • 750,000 sq ft.
Office	<ul style="list-style-type: none"> • 50,000 sq. ft. – suburban Class A • 150,000 sq. ft. – suburban Class A • 100,000 sq.ft. Flex Office
Retail	<ul style="list-style-type: none"> • 80,000 sq. ft. Neighbourhood Retail • 400,000 sq.ft. Power Centre

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Pro Forma Analysis

- Assessment of select prototypical developments in terms of:

Total Development Cost/Annualized Cost

- Allows comparison of the total cost of development across municipalities and shows the impact of cost components on total cost.

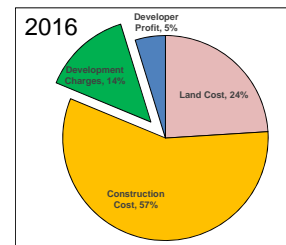
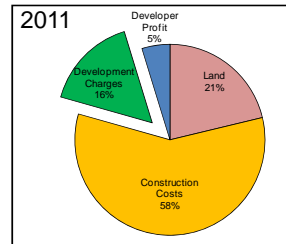
Residual Land Value Analysis

- Reflects both revenue potential and development costs under two revenue scenarios:
 - Rental revenue stream – evaluates the financial viability of a development project subject to rental income
 - Sale of project – evaluates the financial viability of a development project if sold immediately after completion

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Cost of Development – Key Components

- Key Cost Inputs:
 - Construction Costs – hard and soft costs
 - Cost of Land
 - Development Charges
 - Provision for Developer Profit
- In Halton, development charges account for an average of 14% of total development costs for a typical industrial development*, a lower share than in 2011.

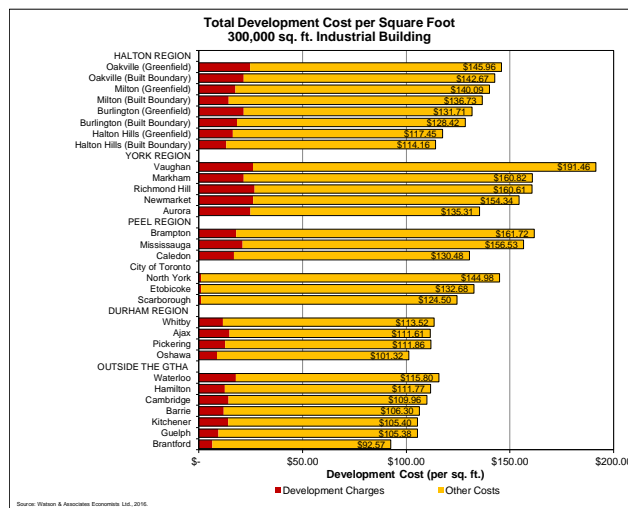


* 300,000 sq.ft. industrial building



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Development Charges as a Share of Total Development Cost

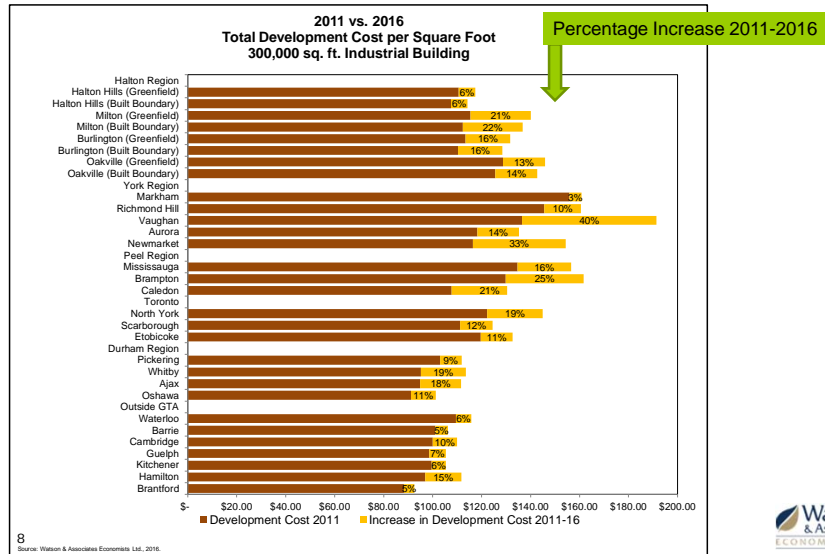


Source: Watson & Associates Economists Ltd., 2016.



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Total Development Costs, 2011 vs. 2016



Annualized Cost Assessment - Framework

- Generating an annualized cost from the total development cost determines the average annual cost of developing and operating a building over a defined time period (i.e. 25 years)

Development Cost - 300,000 sq.ft. Industrial Building in Milton (Greenfield)

Land Cost (per acre)	(A)	\$666,000
Land Cost (per sq. ft. of building)	(B)	\$40.23 (A) x 18.12 / 300,000
Construction cost (per sq. ft.)	(C)	\$75.64
Development Charges (per sq. ft.)	(D)	\$17.55
Developer Profit	(E)	\$6.67 5% x (B+C+D)
Total Development Cost (per sq. ft.) (F)		\$140.09 (B+C+D+E)
Annualized Development Cost (per sq. ft.) (G)		\$8.41 F x 6%
Property Tax Rate (%)	(H)	2.49
Assessment (per sq. ft.)	(I)	\$83.40
Taxes (per sq. ft.)	(J)	\$2.08 (H x I)
Total Annualized Costs (per sq. ft.) (K)		\$10.49 (G+J)

Source: Watson & Associates Economists Ltd.

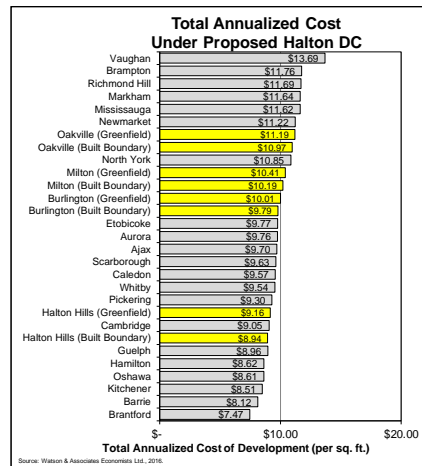
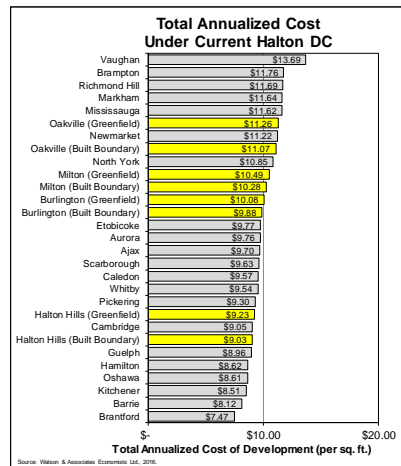
Annualized Cost Comparative Analysis 300,000 sq. ft. Industrial Building

- ▣ Ranges between \$7.47 and \$13.69 per sq. ft. (average of \$10.01 per sq. ft)
- ▣ Milton and Burlington close to survey average
- ▣ Oakville higher than survey average while Halton Hills is below
- ▣ Proposed Halton DC rates would reduce total annualized cost

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Annualized Cost Comparative Analysis 300,000 sq. ft. Industrial Building



11



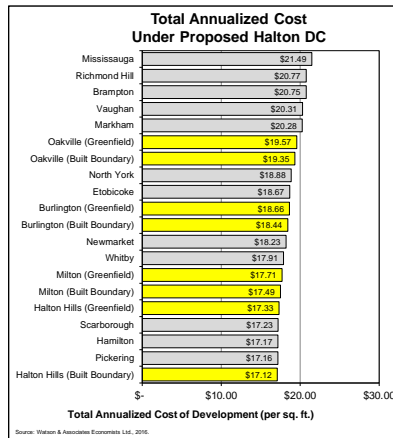
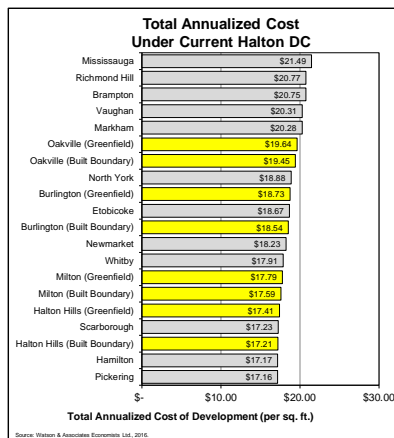
Annualized Cost Comparative Analysis 150,000 sq. ft. Office Building

- ❑ Ranges between \$17.16 and \$21.49 per sq. ft. (average of \$18.76 per sq. ft)
- ❑ Annualized costs in Burlington are close to the survey average
- ❑ Oakville higher than the survey average while Halton Hills and Milton are below
- ❑ Proposed Regional non-residential DC rates would reduce total annualized cost

12



Annualized Cost Comparative Analysis 150,000 sq. ft. Office Building



13



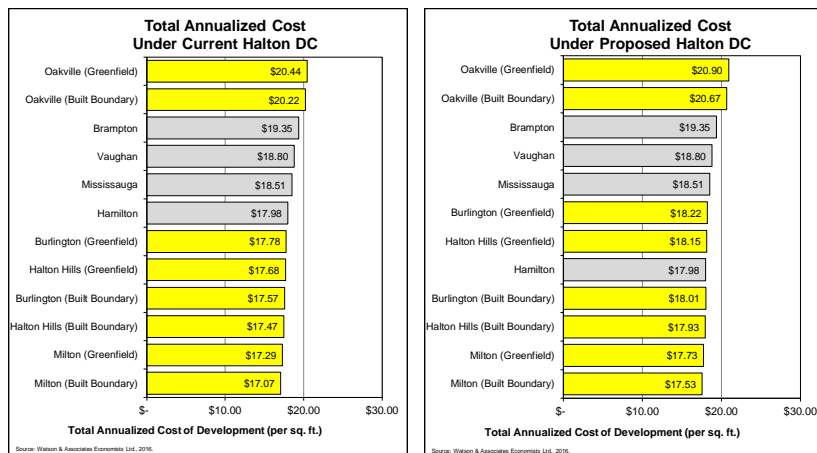
Annualized Cost Comparative Analysis 400,000 sq. ft. Retail Development

- ❑ Ranges between \$17.07 and \$20.44 per sq. ft. (average of \$18.35 per sq. ft)
- ❑ Annualized costs in Burlington, Halton Hills, Milton are all below the survey average
- ❑ Oakville is higher than the survey average
- ❑ Proposed Regional non-residential DC rates would increase total annualized cost

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Annualized Cost Comparative Analysis 400,000 sq. ft. Retail Development



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Key Observations from Cost of Development Analysis

- ❑ Development costs have increased across comparator municipalities since 2011—due largely to increases in land costs and development charge rates
- ❑ Halton’s relative cost competitiveness has remained generally unchanged
- ❑ Burlington, Halton Hills and Milton are cost competitive with other GTHA municipalities with respect to industrial, office and retail development
- ❑ Oakville is at the upper end of the cost scale

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Key Observations from Cost of Development Analysis

- ❑ The proposed Regional non-residential DCs reduce annualized cost and assist with Halton’s relative competitiveness for industrial and office development
- ❑ The proposed rates would however, reduce the Region’s cost competitiveness for retail development

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Residual Land Value Analysis Rental Revenue Stream Scenario

- Residual Land Value Analysis - Assesses financial feasibility of project from a revenue and cost perspective. Example (with rental revenue) :

Residual Land Value - Milton (Greenfield), 300,000 sq. ft. Industrial Building

Annual Rent (per sq. ft.)	(A)	\$7.03
Present Value of Future Cash Flow	(B)	\$117.10 (A) / 6%
Less Profit	(C)	\$5.86 (B) x 5%
Development Charges (per sq. ft.)	(D)	\$17.55
Construction cost (per sq. ft.)	(E)	\$75.64
Residual Land Value (per sq. ft.)	(F)	\$18.05 (B) - (C+D+E)
Residual Land Value (per acre)	(G)	\$299,000 (F) x 300,000 / 18.12
Employment Land Market Price	(H)	\$666,000
Residual Land Value to Employment Land Price Ratio	(I)	0.4 (G) / (H)

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Residual Land Value Analysis Project Feasibility Criteria

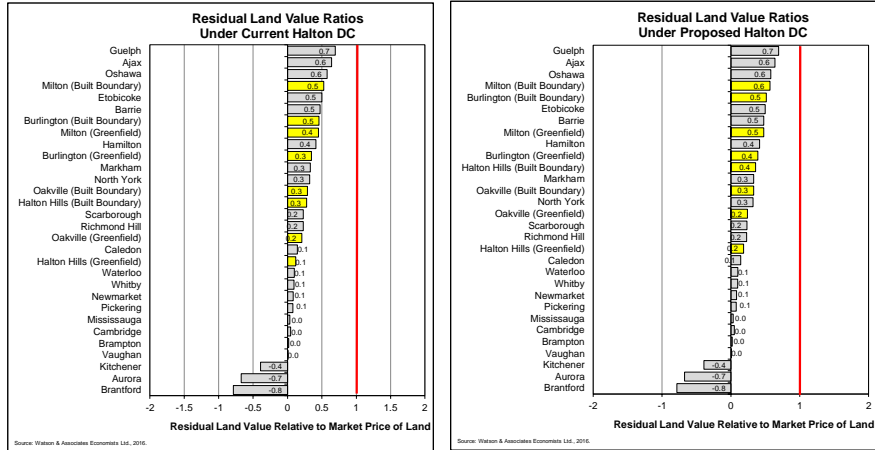
- Residual land Value to Employment Land Price Ratio:
 - Ratio of 1 or greater – project is likely feasible
 - Ratio of less than 1 – project is less likely feasible

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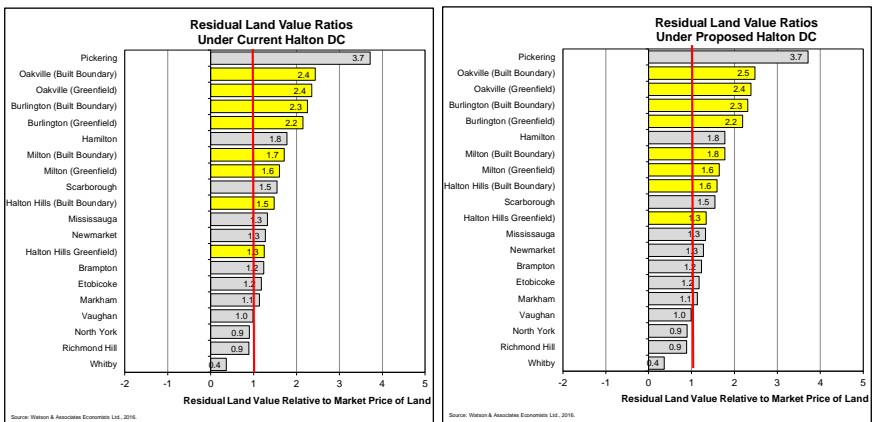
Residual Land Value Analysis Findings Industrial Rental Revenue Stream

□ Example - 300,000 sq. ft. industrial building:



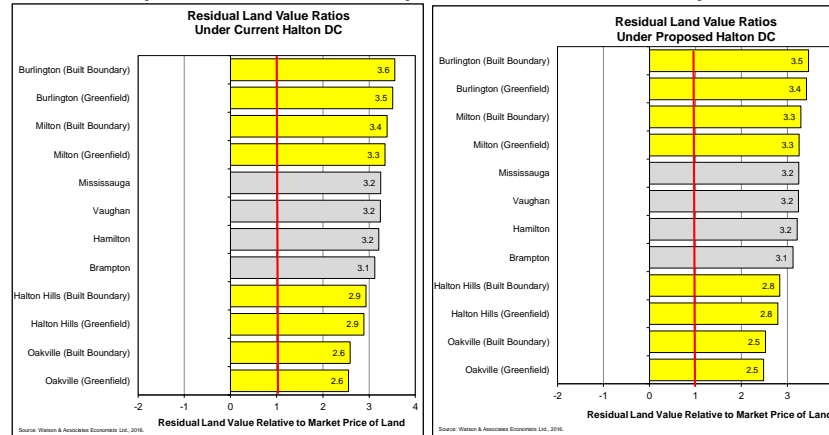
Residual Land Value Analysis Findings Office Rental Revenue Stream

□ Example - 150,000 sq. ft. office building:



Residual Land Value Analysis Findings Retail Rental Revenue Stream

Example - 400,000 sq. ft. Retail Development:



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Residual Land Value Analysis Sales Scenario

Residual Land Value analysis under a sales scenario. Example:

Residual Land Value - Milton (Greenfield), 300,000 sq. ft. Industrial Building

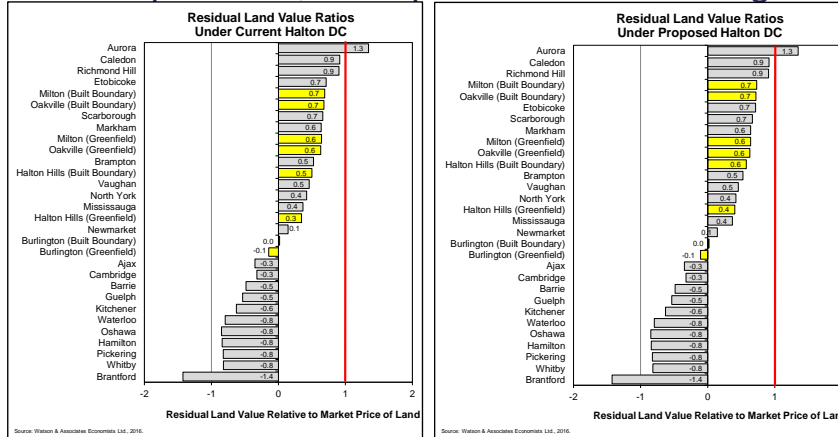
Average Asking Price	(A)	\$124.00
Less Profit	(B)	\$6.20 (A) x 5%
Development Charges (per sq. ft.)	(C)	\$17.55
Construction cost (per sq. ft.)	(D)	\$75.64
Residual Land Value (per sq. ft.)	(E)	\$24.61 (A) - (B+C+D)
Residual Land Value (per acre)	(F)	\$407,000 E x 300,000/18.12
Employment Land Market Price	(G)	\$666,000
Residual Land Value to Employment Land Price Ratio (H)		0.6 (F) / (G)

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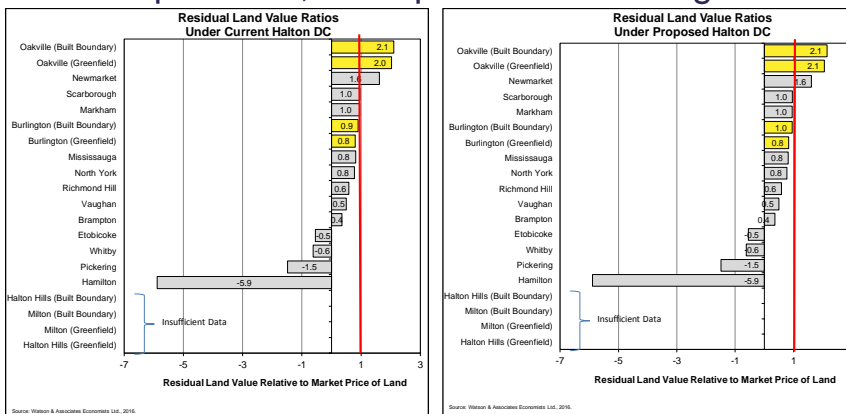
Residual Land Value Analysis Findings Industrial Sale Revenue Stream

Example - 300,000 sq. ft. industrial building:



Residual Land Value Analysis Findings Office Sale Revenue Stream

Example - 150,000 sq. ft. office building:



Residual Land Value Analysis Observations

- Notable improvement in industrial and office market since 2011 – higher market rents
- Despite higher development costs, feasibility of industrial and office projected more favourable in 2016 than in 2011

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Residual Land Value Analysis Observations

Industrial

- Sensitivity analysis shows development of smaller industrial buildings (i.e. less than 150,000 sq. ft.) generally not viable throughout GTAH/GGH
- Larger industrial developments in Halton are generally feasible and competitive within GGH
- The proposed Regional DCs have a favourable impact on project feasibility and assist with relative competitiveness of Halton with respect to industrial development

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Residual Land Value Analysis Observations

Office

- Office development in Halton is competitive within the GTHA
- Office development is in relative terms more viable than industrial development in Halton
- The viability of office development in North Halton is generally less favourable than in South Halton due to lower net market rents for office space.
- The proposed Regional non-residential DCs reduce annualized cost and assist with Halton's relative competitiveness with respect to office development

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Residual Land Value Analysis Observations

Retail

- Retail development is feasible in Halton Region and comparable to that in neighbouring municipalities in the GTHA
- While the proposed Regional non-residential DCs increase annualized cost for retail development in Halton, the overall negative impact on feasibility is marginal

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Questions/Comments

Thank you

Erik Karvinen, MCIP, RPP, PLE
Senior Project Coordinator
Watson & Associates Economists Ltd
karvinen@watson-econ.ca

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