APPENDIX D

The Regional Municipality of Halton

Report To:	Regional Chair and Members of Regional Council
From:	Jane MacCaskill, Chief Administrative Officer Andrew Farr, Commissioner, Public Works Cyndy Winslow, Commissioner, Finance and Regional Treasurer
Date:	October 18, 2023
Report No:	CA-08-23/PW-40-23/FN-36-23
Re:	2023 Allocation Program

RECOMMENDATION

1. THAT in order to ensure Local Municipalities can achieve their housing pledges, Regional Council, reserve water and wastewater servicing capacity, in addition to already committed units from previous Allocation Programs as follows:

    a. City of Burlington: 28,452 units
    b. Town of Halton Hills: 6,054 units
    c. Town of Milton: 12,816 units
    d. Town of Oakville: 26,178 units
    e. Special Interest Pool: 5,000 units
    f. Institutional / Commercial / Industrial (ICI): 14,000 units

2. THAT Regional Council approve the Development Financing Plan as outlined in Report No. CA-08-23/PW-40-23/FN-36-23.

3. THAT the Chief Administrative Officer be authorized to negotiate and execute Allocation Agreements in support of the 2023 Allocation Program with terms and conditions consistent with Report No. CA-08-23/PW-40-23/FN-36-23 and acceptable to the Commissioner of Corporate Services, Corporate Counsel and the Commissioner of Finance and Regional Treasurer upon commitment of the minimum subscription of 29,787 units (approximately 16, 426 Single Dwelling Equivalents (SDEs)).

4. THAT Regional Council approve the immediate financing of $38.0 million to advance water and wastewater projects as set out in the financial schedule in Attachment #4 to Report No. CA-08-23/PW-40-23/FN-36-23 to ensure critical projects proceed without delay.

5. THAT Regional Council approve the financing of the water, wastewater and transportation projects set out in Attachment #3 to Report No. CA-08-23/PW-40-

23/FN-36-23 to facilitate the construction of infrastructure in support of residential growth objectives and Local Municipal housing pledges upon execution of the Allocation Program.

6. THAT the Regional Chair write to Provincial and Federal Governments, emphasizing the critical need for water and wastewater servicing to support the response to the housing crisis and the accelerated housing growth reflected in the Local Municipal housing pledges and requesting meetings to discuss Federal and Provincial funding for this infrastructure.

7. THAT Report No. CA-08-23/PW-40-23/FN-36-23 be forwarded to the City of Burlington, the Town of Halton Hills, the Town of Milton, the Town of Oakville, the Ministry of Municipal Affairs and Housing and the Halton MPs and MPPs.

REPORT

Executive Summary

- The Region's Allocation Program is a financing tool to support timely delivery of growth-related infrastructure in order to increase housing supply. The Allocation Program reduces the Region's risk related to the timing of development.

- Halton Region has a shared objective with the Province and Local Municipalities to advance housing supply and will need to play a role in accelerating growth in support of Local Municipal housing pledges by proactively planning for, financing and delivering infrastructure.

- In order to support the Local Municipalities in meeting their pledges, on July 12, 2023 Regional Council directed staff to develop Allocation Program options based on the principles identified in Attachment #1 to LPS56-23/PW-31-23/FN-29-23 and bring it forward for decision no later than October 2023.

- The housing pledges represent a significant acceleration of growth in Halton Region. The housing pledges total 92,500 units by 2031 which is an over 70% increase over the growth anticipated in the Region's Infrastructure Master Plans. Staff have confirmed that there is sufficient gross capacity in the water and wastewater system to accommodate the housing pledges in each Halton Municipality however areas within each Municipality may be constrained. This report recommends reserving the existing water and wastewater capacity for each Municipality based on their housing pledges.

- There is however no additional capacity beyond the housing pledges for development beyond 2031. Significant water and wastewater plant expansions will need to be significantly accelerated to ensure additional capacity is available by 2031. This infrastructure is currently not planned for in the next 10 years and is not reflected in the Region's water and wastewater development charge.

- Developments in the greenfield areas are required to participate in the Allocation Program. To fund the infrastructure already planned to 2031, a minimum of 16,426 Single Detached Equivalent Units (SDEs) is required. Municipalities will be asked to identify the developments in the greenfield areas that will be provided a commitment of water and wastewater servicing.

- This report sets out the key terms and conditions for the 2023 Allocation Program and seeks delegated authority to enter into agreements. It also sets out the Development Financing Plan as presented in Attachment #2 for the infrastructure required to 2031. This includes seeking support from the Federal and Provincial Governments in financing the significant acceleration of water and wastewater capacity required.

- $3.2 billion of growth related infrastructure, water, wastewater and roads has been identified as required to support anticipated growth which includes $2.0 billion of financing through development charges including the allocation program and $1.2 billion in Regional financing.

- This report seeks the financing of the water, wastewater and transportation projects set out in Attachment #3 of this report to facilitate the construction of infrastructure in support of residential growth objectives and Local Municipal housing pledges upon execution of the Allocation Program.

- This report seeks approval to immediately advance funding for the infrastructure projects identified in Attachment #4 prior to the signing of Allocation Agreements in order to further expedite infrastructure projects.

Background

The Allocation Program is Halton's tool to finance and deliver infrastructure to support new housing growth within greenfield areas of the Region. In accordance with Halton Region's long standing principles that an acceptable financing plan for growth related infrastructure must be in place prior to new stages of growth proceeding. This has been accomplished through the delivery of Allocation Programs which ensure Halton maintains the principle that "growth pays for growth" to the extent possible. The Allocation program is the tool the Region uses to ensure the residential greenfield developers pay for growth related infrastructure and could include pre-payment of a portion of Development Charges (DCs) and/or front-ending if required to address any funding gaps. The Region has historically provided interim funding for non-residential development in recognition of the fact that the timing of the infrastructure is being driven by the residential developers and is delivered well in advance of non-residential requirements. This financing for non-residential development is a strategic investment for the Region as the infrastructure is required to support economic growth in the Region.

Halton Region has a shared objective with the Province and Local Municipalities to advance housing supply and will need to play a role in providing infrastructure in support of Local Municipal housing pledges by proactively planning for, financing and delivering infrastructure. Local Municipal Housing Pledges total 92,000 units across Halton, as follows:

- Burlington: 29,000 units
- Halton Hills: 9,500 units
- Milton: 21,000 units
- Oakville: 33,000 units

Through a Request for Expression of Interest (REOI) in May 2023, the Region put out a call to the development community to share their short term residential growth plans within greenfield areas. As discussed in Report No. LPS56-23/PW-31-23/FN-29-23, the Region received a significant amount of interest from 173 properties, totalling approximately 97,000 dwelling units equating just over 53,000 SDEs. As such, staff have been working to advance a new Allocation Program based on significant interest shown by the Development Community, and Council's direction to do so through LPS56-23/PW-31-23/FN-29-23 which will support accelerated residential growth opportunities.

A capacity review of Halton's water and wastewater systems was conducted to determine whether the housing pledges could be supported to 2031. This review reflected infrastructure currently built, infrastructure under construction, and infrastructure is planned to be in service prior to 2031. The review confirmed that there will be sufficient system capacity for each Local Municipality to meet their housing pledges. Infrastructure to accommodate additional growth beyond 2031 will be planned and confirmed through the forthcoming infrastructure Master Plans. While the system as a whole has the capacity to service the equivalent of 92,500 units and to meet the housing pledges, *where* the additional units are built matters. There is sufficient plant capacity to 2031, however there are limitations in the conveyance of plant capacity (pumping and pipes) in some areas. Further local infrastructure outside this review is required by developers and depending on circumstances can impact timing of development. This means that while overall pledges can be met, residential development will have to be based on where capacity exists. Halton will continue to work with Local Municipalities to prioritize infrastructure based on local priority areas.

In addition to working collaboratively with Local Municipalities, staff have engaged the development community in a series of individual meetings and large group sessions over the past several months since the Request for Expression of Interest (REOI) was released in May 2023. The feedback received has been incorporated to the best extent possible into the development of the 2023 Allocation Program, and will continue to be considered as the program details are further refined.

While the Allocation Program works in SDEs, the housing pledges are reported in units, and as such, this report may speak to either units or SDEs as required.

Discussion

The Allocation Program Process

The Region's Allocation Program allows the Region to support development by advancing Regional infrastructure in a way that is financially responsible, ensuring that:

- The release of growth in the Designated Greenfield Area is consistent with the growth priorities of Local Municipalities;
- The delivery of infrastructure is aligned with growth; and
- The delivery of infrastructure is financially sustainable.

Based on developer expressed interest and Local Municipal visions for planned growth in the areas within which an Allocation Program is applicable, the growth-related infrastructure to support planned development is used to determine the infrastructure and terms for the next Allocation Program.

Through the financial planning process, the Region identifies any funding challenges in financing infrastructure needed for development and takes necessary measures to address the funding challenge. The financing plan addresses both residential developer responsibility, as well as Regional investments, and is undertaken to ensure the envisioned growth can be financed. A Council-approved Development Financing Plan is required before an Allocation Program may proceed.

The 2023 Allocation Program and associated Financing plan, detailed in this report have been developed based on long standing principles, consistent with previous allocation programs and recent Provincial direction, specifically:

- "Growth pays for growth" to the extent possible under the Development Charges Act, 1997 (DCA);
- Enable Local Municipalities to meet their housing pledges and align with local growth priorities as defined in the joint best planning estimates (JBPEs);
- Infrastructure requirements align to growth;
- Ensure Halton's strong financial position and financial planning principles will not be compromised;
- Develop financing strategies to unlock specific geographic areas as necessary and;
- Ensure program requirements respond to feedback from participants if aligned to the above principles.

These principles help support continued residential and non-residential growth in Halton Region, through the 2023 Allocation Program, while reducing financial risk to the Region's existing tax/rate payers.

Infrastructure

As reported in July 2023 Report No. LPS56-23/PW-31-23/FN-29-23 re: “Allocation Program and REOI Update”, the Region’s water, wastewater and transportation infrastructure expansions and upgrades are being implemented as detailed in the current master plans to support growth to 2031.

As the housing pledges represent approximately a 70% increase in the growth projections contemplated in ROPA 38 for 2021 to 2031, a capacity analysis was required to assess the ability to accommodate this significant increase in projected growth to fulfill the Local Municipalities’ housing pledges. The analysis identified that through a combination of updates to the system and other optimization efforts, there would be sufficient capacity in the system to meet the housing pledges.

Local Municipalities will be asked to identify priorities for development that can be readily serviced while aligning with their visions for growth. Recommended areas to be prioritized include those with completed Servicing Plans and access to existing infrastructure, or infrastructure that is currently under construction and anticipated to be operational within 1- 3 years.

Advance Infrastructure to Support the Allocation Program

As the capacity allocated to fulfilling the housing pledges will functionally take the Region’s systems to full capacity, as also noted in July 2023 Report No. LPS56-23/PW-31-23/FN-29-23 re: “Allocation Program and REOI Update”, the Region has initiated key projects that will either advance these capacity expansions, so that capacity is available when Servicing Plans are complete. These projects include the required Class Environmental Assessment phases and/or engineering designs for:

- Burloak WPP Phase 2 Expansion from 55 to 165ML/d in Oakville;
- The Mid-Halton Wastewater Treatment Plant Expansion (125 to 175 MLD); and
- The 2350 L/s WWPS at Lower Base Line and 4th Line in Milton and 900 mm wastewater forcemains.

Recognizing that the complexity of capacity expansion projects can require extended timeframes to complete, in addition to projects listed above, several additional projects and project phases have been identified to be advanced prior to execution of Allocation Agreements to ensure that the additional capacity is available when required.

Six (6) capital projects have been identified as described below:

Wastewater

- Design for the 2350 L/s WWPS at Lower Base Line and 4th Line in Milton. (ID8034)

- Design for twinned 900 mm wastewater forcemains from the WWPS at Lower Base Line to Regional Rd 25 in Milton. (ID8035)
- Design for the Mid-Halton Wastewater Treatment Plant Expansion (125 to 175 MLD). (ID8159)
- Design for the North WWPS expansion of 2000 L/s at Mid-Halton WWTP. (ID7528)
- Class Environmental Assessment for Skyway WWTP. (ID8360)

Water

- Study and Design for Booster Pumping and Storage for North Zones. (ID6702)

Following the approval of the Development Finance Plan as outlined in this report, staff will initiate planning for additional projects that will unlock areas for future growth when Servicing Plans are complete. These include extension of water and wastewater servicing to areas like South East Georgetown, and North Aldershot communities.

Program Size in Relation to Infrastructure Capacity and Supporting Municipal Housing Pledges

The size of the 2023 program is dependent on a number of factors. The program must ensure that the growth related infrastructure costs for the program are considered, which then is used to identify a minimum number of program SDEs. This is the participation that would be required in order to make the new program financially feasible.

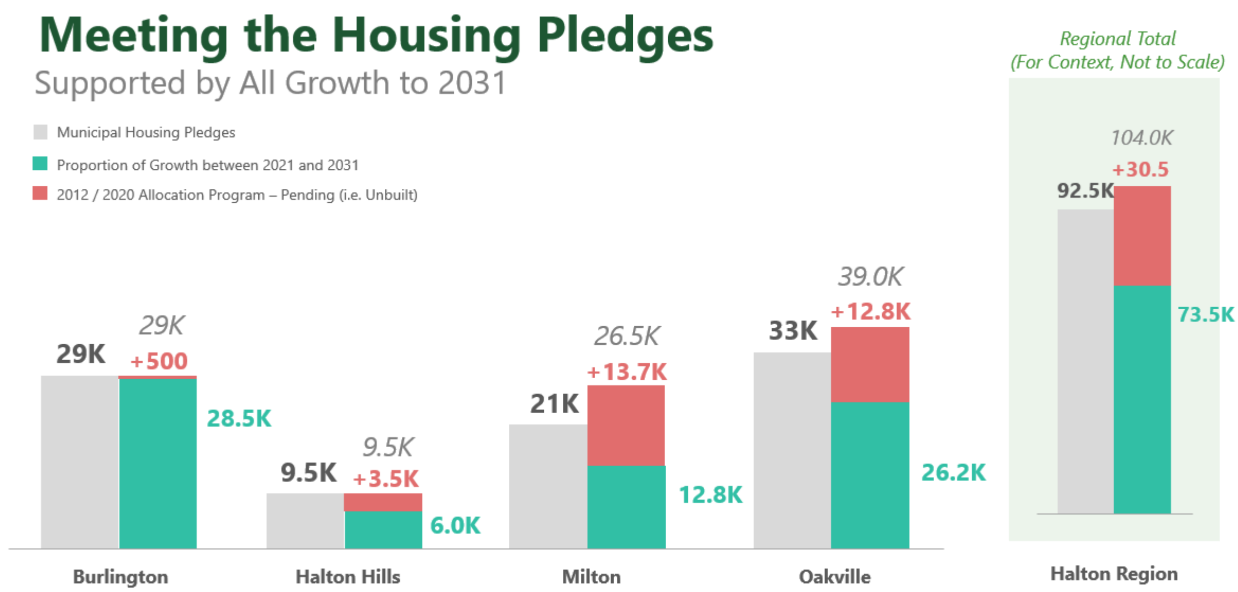
In addition to the financial analysis, the infrastructure capacity analysis is key to understanding and setting the program threshold. Typically for an Allocation Program, a total number of SDEs that can be serviced within the program timeframe, as aligned with Best Planning Estimates sets the program maximum. Given the requirement for the 2023 program to be as flexible as possible to enable the Local Municipalities to meet their pledges, Allocation Program maximums will remain flexible within the capacity reserved by Municipality.

While the distribution of units between greenfield and built boundary will remain flexible, each municipality has maximum number of serviceable units available based on infrastructure capacity limits, to be distributed based on further discussions and direction from Local Municipalities (as identified in Table 1 below).

Table 1: Unit Distribution to Enable Local Municipal Housing Pledges

Municipality	Maximum Program Units
Burlington	28,452
Halton Hills	6,054
Milton	12,816
Oakville	26,178
Halton Region	73,500

The image below provides an overview of how the available servicing capacity is able to meet the housing pledges for each Local Municipality.



For the 2023 Allocation Program, a minimum of 29,787 units (approximately 16,426 SDEs) will be required to advance the program, based on the financial requirements discussed below. Staff will rely on Local Municipalities to determine how and where allocation will be distributed within their respective municipality. Local Municipalities will be given the opportunity to define the split of units between the built boundary and greenfield, assess the readiness of developments that are looking to participate in the program, and identify how this aligns with Regional locational capacity, and local infrastructure readiness.

As part of the development of this program, staff have allotted for a Special Purpose pool of 5,000 units (approximately 2,760 SDEs) of servicing capacity, similar to the 2020 program, to be used to facilitate developments of key public interest. As an example, this would include capacity for new school sites. In addition, as part of the servicing capacity review, infrastructure capacity was reserved for very important non-residential growth.

The equivalent of 14,000 equivalent residential units has been set aside for Institutional / Commercial / Industrial (ICI) development.

Capital Financing

In response to the current financial climate, municipal housing pledge targets, and accelerated infrastructure, staff developed a program to ensure financial capacity was available prior to proceeding with a program.

Based on current forecasted infrastructure, in order to support development to 2031, which includes capital budgets between 2023 and 2031, $5.2 billion of growth related financing requirements has been forecasted for water, wastewater and roads infrastructure as shown below and set out in Attachment #1. The required financing for growth-related water, wastewater and roads infrastructure between 2023 and 2031 would be supported from both residential developers and the Region.

	Growth Related ($000s)		
	W/WW	Roads	Total
Residential[1]:	**$1,307,853**	**$ 1,701,023**	**$ 3,008,876**
Region:			
Non-Residential	400,374	856,752	1,257,126
Non-Growth[2]	261,122	311,973	573,095
Oversizing	81,936	287,743	369,679
Subtotal	**$ 743,432**	**$ 1,456,468**	**$ 2,199,900**
Total	**$2,051,285**	**$ 3,157,491**	**$ 5,208,776**

Note:

[1] *Includes commitments (credits, debt, historical oversizing, 2020 Allocation Shortfall)*

[2] *Non-Growth State of Good Repair projects are not included and will be approved as part 2024 Budget Approval*

The residential share between 2023 and 2031 is $3.0 billion. Halton has a long standing principle that “growth pays for growth” to the extent possible and greenfield development is approved through financing plans and Allocation Programs.

Of the $5.2 billion, the Region is responsible for $2.2 billion, of which $1.3 billion is required to support non-residential financing, $370 million is financing for oversizing which will be recovered from future DCs and $573 million is to finance growth state-of-good-repair (SOGR) requirements.

The $1.3 billion is the interim financing related to the non-residential share of costs. The Region has historically provided interim financing in recognition of the fact that the timing of the infrastructure is being driven by the residential developers and is delivered well in advance of non-residential requirements. To ensure that this interim financing does not impact tax or water/wastewater rates, the Region uses internal borrowing for these requirements. The investment revolving fund reserve (the revolving fund) is used for the water and wastewater program and the Tax Capital Reserve for the roads program. Ultimately, these Regional reserves will be fully reimbursed including interest from the collection of DCs, as non-residential development proceeds in the future. The financing is a strategic investment for the Region as the infrastructure is required to support economic growth in the Region. This is in addition to the current committed outstanding Regional investment for interim financing of $527.6 million as of the end of 2022. Based on the financing requirements up to 2022, both the revolving fund and tax capital reserves have the capacity to address the additional non-residential needs.

As noted earlier, in order to make the new program financially feasible, a minimum subscription is required to assess a program for financial viability. Through initial discussions with Local Municipalities and financial review the minimum greenfield allocation subscription was determined to be 16,426 SDEs and an additional special purpose pool of 2,760 SDEs. As part of the review, the built boundary SDEs and associated revenue is also taken into consideration.

	Units	SDEs
Greenfield Allocation	29,787	16,426
Special Purpose Pool	5,000	2,760
Built Boundary	43,713	24,106
Total Program	78,500	43,292

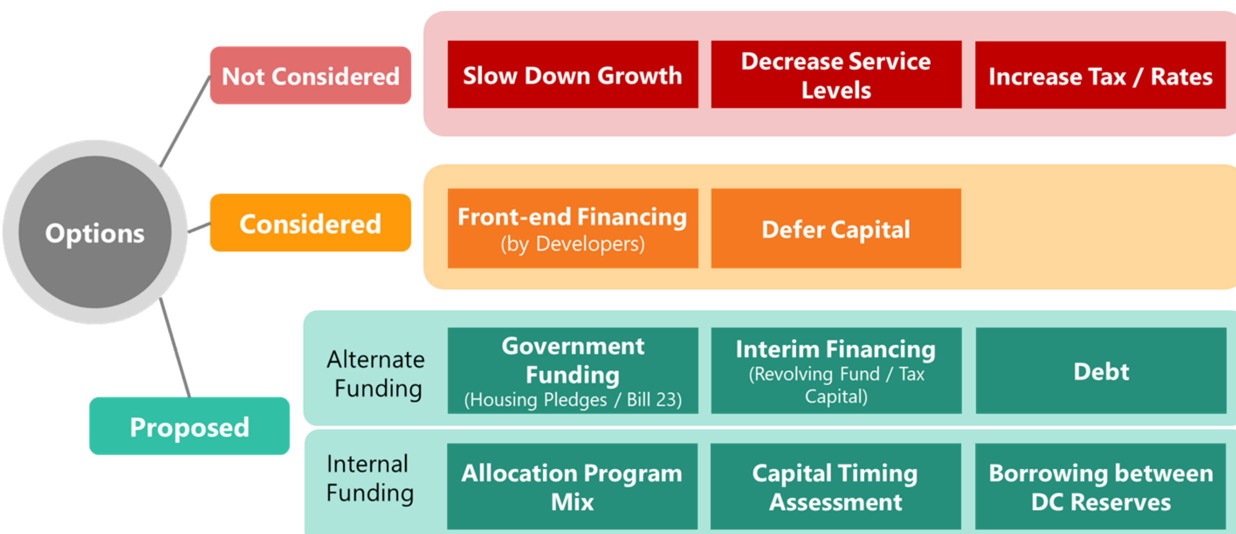
Based on the residential expenditures ($3.0 billion) provided above and DC revenue ($2.1 billion) generated from the SDEs in both the greenfield and built boundary areas there is a shortfall of $940.2 million as set out below.

	Residential Financing ($000s)		
	Total Expenditures	Revenue	Surplus/ Shortfall
Water/Wastewater	($1,307,853)	$792,016	($515,837)
Roads	($1,701,023)	$1,276,664	($424,358)
Total Program	($3,008,876)	$2,068,680	($940,196)

Halton Region's financial plans are built on the principle that "growth pays for growth" which would result in an additional front-end payment request from those entering into an Allocation Agreement of $49,004 per SDE (shortfall divided by total greenfield units which includes the special interest pool) to address the $940.2 million shortfall. This shortfall includes losses in DC revenues related to provincial changes to DC collection through Bill 23 as well as the advancement of large capacity infrastructure projects needed to accommodate future growth.

In order to design an allocation program that is feasible and implementable, an important part of the allocation process is to gauge the interest of the development community. Through discussion with the development community it was indicated that given the current economic conditions it would be challenging and undesirable to proceed with a front-end charge in addition to development charges. For this reason alternate strategies to address the shortfall were considered as the goal of meeting the housing pledges and providing a continuum of future growth is important to the Province, Local Municipal partners and the Region.

Municipalities have few tools to address the cost related to growth. In recognition that DCs have a limited revenue-generating capacity to fully support growth infrastructure, the Region has explored and employed alternative funding tools and mechanisms to ensure growth targets could be met. Below is a summary of the tools reviewed.



As identified above the tools were categorized with consideration given to the impact to the program and current Halton residents. The section labeled *Not Considered* would have had a significant impact to existing tax/users or would not have met housing pledges, and therefore, although an option, was not considered. The section labeled *Considered*, is more palatable but was not proposed for the following reasons. The front-end financing, is an option that has been undertaken in the past but is not proposed given the current economic climate and need for a program to proceed. Deferring capital strictly on a financial basis was not recommended at this time to ensure that future programs were not impacted. The section labeled *Proposed* are tools that were used in the development of a viable program and discussed below.

As part of the analysis, a capital timing assessment was undertaken to review the current capital program that does not directly impact the delivery of growth. The review determined that the roads program could be scoped based on stage of project development (e.g. EA, design), project coordination (e.g. local coordination), and masterplan review. The roads projects not included in the financing plan, will still remain in the forecasted budget, however the timing will continue to be assessed as projects proceed through implementation and financing availability is reviewed. Although this review had positive impacts to address the shortfall, it was still not sufficient to alleviate the need for front-end financing. The roads capital program adjustments have impacted the shortfall by $624 million.

To avoid front-ending, alternate funding for the residential share is still necessary and is primarily due to the sudden acceleration of growth which requires significant capacity and necessitates the need for costly capacity expansion projects to be accelerated prior to 2031. Below is a cost summary of the major capacity projects which are proposed to be financed with alternative funding.

Alternative Financing Capacity Projects (included in $940M shortfall) ($000s)	Gross		Residential Share	
Burloak				
Burloak WPP Phase 2 Expansion from 55 to 165ML/d	$	194,708	$	147,978
North Zones				
Booster Pumping & Storage for North Zones[1]	$	40,000	$	29,200
Mid-Halton				
North WWPS expansion of 2,000 L/s	$	77,435	$	19,098
Mid-Halton WWTP expansion 125 ML/d to 175 ML/d		227,241		81,170
Subtotal	**$**	**304,676**	**$**	**100,268**
Skyway WWTP				
2400mm WWM inlet to Skyway WWTP[2]	$	38,226	$	2,034
Skyway WWTP by 20MLD		171,000		129,960
Subtotal	**$**	**209,226**	**$**	**131,994**
Total	**$**	**748,610**	**$**	**409,440**

Note:

[1] *Alternative financing is not being utilized for the entire project budget of $44 Million*

[2] *Alternative financing includes as small portion of previously approved budget*

The financing plan assumes the alternate financing would be some combination of Federal, Provincial and Regional financing. Given the necessity of water and wastewater capacity to respond to the housing crisis, financing the delivery of this capacity should be a priority of both the Federal and Provincial Government. It is anticipated that this requirement for alternate financing is a one-time issue to address the sudden acceleration of housing growth that was not anticipated.

RESIDENTIAL FINANCING PLAN ($000s)

	Expenditures					
(000s)	Expenditures	Alternate Financing (Debt/Prov)	Debt Charges*	Total Expenditures	Revenue	Surplus/ (Shortfall)
Water/ Wastewater	($1,307,853)	409,440	($96,316)	($994,729)	$792,016	($202,713)
Roads	($722,000)	-	-	($722,000)	$921,226	$199,226
Total (Program)	($2,029,853)	409,440	($96,316)	($1,716,729)	$1,713,242	($3,487)

* Assumption is that Alternative Financing is taken as debt or internal financing

As depicted above, after taking all options into consideration, the shortfall is $3.5 million. This is considered minor in nature and can be addressed through additional top-ups in the program or changes to the allocation program mix.

The Parameters of the program were designed based on current DC rates and inforce legislation. The Region is currently under a DC By-law appeal that could affect the outcome of the 2023 Allocation Program. In order to proceed with execution of agreements staff will have to have comfort that either Allocation Agreement terms or mediation efforts are developed with limited risk to DC collections.

For illustrative purposes, below is the current DC rate for greenfield water/wastewater and roads development charges used for the analysis. This rate is subject to change based on agreement timing. All other DCs will be collected as part of the normal development charge timing.

DC Rates per SDE		**Sept. 1, 2023**
Water		
Capacity	$	2,860
Greenfield		9,097
Subtotal Water	**$**	**11,958**
Wastewater		
Capacity	$	2,070
Greenfield		14,744
Subtotal Wastewater	**$**	**16,814**
Subtotal Water and Wastewater	**$**	**28,772**
Roads	**$**	**29,490**
Total Water, Wastewater and Roads	**$**	**58,261**

2023 Allocation Program Parameters

The program parameters for the 2023 Allocation Program are largely based on the 2020 Allocation Program with updates to incorporate Regional needs due to changes coming out of Bill 23, *More Homes Built Faster Act, 2022* (Bill 23). The following key program parameters will be the basis for the 2023 program:

- The program is being created in a way that acknowledges Bill 23 amendments to the Planning Act affecting the Region's planning roles and responsibilities, to ensure Regional interests are maintained.

- The program is applicable to Regional jurisdiction over Regional infrastructure, allocation of servicing capacity and collection of Regional DCs.

- The program is intended to provide servicing capacity for development that will advance in the short term where possible. The Region may revoke allocation if not used within three years, in order to free up capacity to meet the Local Municipalities housing pledges. Leading into the 3 year mark of the program, Regional staff will conduct a review of infrastructure capacity to identify whether a reallocation of servicing is required to support residential development that is projecting a faster timeline. This may result in revocation of servicing capacity, which would be considered in consultation with the Local Municipality(ies), or for developments holding allocation that are demonstrating progress to the satisfaction of the Region's Chief Planning Official, the program will maintain the possibility of extension.

- A Public Works Commissioners Notice (PWCN) may be required for participating lands that do not have Regional infrastructure in the ground. Receipt of the PWCN is the Owner's official notification that the servicing capacity release date for the corresponding lands has been achieved. To expedite program administration, the PWCN tool will be used only when required.

- Flexibility for developers to move allocation between their properties to support acceleration of development, to the satisfaction of the Region and Local Municipality.

- Forty (40) percent of SDEs within a plan must have received allocation in order to receive planning approvals. SDEs may be transferred but SDEs remaining on lands are not to be less than forty (40) percent of the SDEs originally reserved.

Program parameter details may be refined as further discussions with Local Municipalities and the development community continue. The intent is that these updates will be minor and will not require further approval by Regional Council before proceeding with program launch.

Agreement Terms and Conditions

As a part of a release of allocation, each participating landowner will be required to enter into an agreement with the Region. The terms and conditions for the 2023 Allocation Program agreement are largely based on the 2020 Allocation Program with modifications that reflect feedback from the development community and current Regional needs such as changes to the way the Region can collect DCs as a result of Bill 23. It is normal practice to engage the development community to obtain feedback in ensuring the agreement and program parameters are mutually beneficial where possible, while still protecting the Region and taxpayers as intended. As such, upon Council approval of this report, a level of flexibility is assumed to allow Regional staff to continue to work with the development community where they align with the program parameters and interests of both the Region and Local Municipalities to make minor adjustments where necessary where they benefit the administration of the program.

It is recommended that the terms of the agreement will include the following:

- Provide for the early payment of water, wastewater and roads DCs in installments (unless building permit is issued which payment will be required in full) based on the schedule below commencing at the execution of the Allocation Agreement for low/medium and high density SDEs.

Timing	Low/Med	High Density
Execution	5%	5%
Q4 2024	20%	0%
Q4 2025	25%	20%
Q4 2026	25%	25%
Q4 2027	25%	25%
Q4 2028	0%	25%

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- Conversion of SDE reserved for High Density Apartments shall not be permitted without prior approval on the basis that there is no financial impact to the Region;
- At execution of agreement, secure a letter of credit for the early payment of 40% of the water and wastewater DCs that will not be reduced until 60% of DCs have been collected;
- Updated Letter of Credit Policy for Allocation Agreements to permit an increased limit for Credit Unions that are incorporated in Ontario and confirmed by the Financial Services Regulatory Authority of Ontario. This limit will be the lesser of 1% of the Financial Institutions total reported assets or a maximum of $10 million per developer subject to the approval of the Director of Capital and Development Financing or Regional Treasurer \;
- Provide for the recovery of the early payments by credits against the water, wastewater and roads component of the DC;
- Reserve and allocate water and wastewater capacity to the lands owned by the participating landowners entering into the agreement;
- Provide for minor adjustments of SDEs through top-up and/or reconciliation provisions;
- In order to allow the Local Municipalities to meet their housing objectives, provide for the reservation of SDEs for three years, to be re-evaluated for revocation or extension, acceptable to the Region and applicable Local Municipality(ies);
- At a minimum, forty percent (40%) of the lots in the draft plan of subdivision must have received allocation in order to receive draft plan approval;
- Provision to permit the transfer of SDEs, subject to approval by the Region and Local Municipalities, as long as the SDEs remaining on the lands are not less than forty percent (40%) of the SDEs originally reserved or forty percent (40%) of the total development where draft approval has been granted;
- Developers will be encouraged to allocate to all high density blocks contained within draft plans of subdivision as part of the Program, however these high density blocks can be created with minimum allocation provided that local

planning tools and instruments are in place to ensure development cannot proceed without allocation;

- Provisions to allow development of high density blocks in a phased manner, with reliance on local planning tools and instruments to ensure that only the portion of development with allocation can proceed. This phased approach would allow for the advancement of planning and infrastructure review to be undertaken for the entire block;
- Require land dedications to be made to the Region by the owner to accommodate key Regional infrastructure projects within 45 calendar days of request;
- Prevent the sale of dwelling units until water/wastewater (treatment, distribution and collection capacity) are available or expected to be available for those units within 12 months;
- Includes provisions to limit the Region's exposure to risk if the Allocation Agreement or any of its components is challenged in court or before an administrative tribunal; and
- Includes protection to minimize the Region's exposure to delay in infrastructure delivery to the allocation areas should infrastructure delivery be challenged before a court or administrative tribunal.

2023 Allocation Program Launch Next Steps

Through Report No. CA-08-23/PW-40-23/FN-36-23 staff is seeking Regional Council approval to proceed with the 2023 Allocation Program based on the minimum of 29,787 units (approximately 16,246 SDEs) with a Special Purpose pool of 5,000 units (approximately 2,760 SDEs). Approval of this report will allow:

- Staff to work with Local Municipalities who will set the distribution of servicing capacity to enable pledges to be met.
- The ability to work with the development community to finalize the program based on the parameters identified in this report with flexibility to finalize implementation details and non-significant program parameters.
- Staff to finalize the 2023 Allocation Program agreements based on the Infrastructure and Development Financing Plans, and terms and conditions approved within the report.
- The ability to expeditiously launch a program within the first quarter of 2024 in order to support the objective of advancing development to meet housing pledges.

Given the Provincial objectives of accelerating residential development, and in support of enabling Local Municipalities to meet their housing pledges, staff commit to review the distribution of servicing capacity reserved through this program prior to 2027 to ensure alignment of infrastructure capacity, development approval and municipal progress toward meeting housing pledges. This will be in consultation with Local Municipalities and may require revocation of servicing allocation in order to redistribute to developments that are closer to advancement. The result of that infrastructure capacity review will inform a potential redistribution of servicing which could support further greenfield allocation units for an Allocation Program.

Upon endorsement, the next steps include:

- Local Municipalities determine and approve local distribution of Allocation to greenfield developers and follow up with developers to assign capacity;
- Halton Region requests letters of commitment from identified developers
- Execution of agreements by landowners with security and first payment; and
- An update report to Council on the results of the 2023 Allocation Program once finalized.

Advocacy

Halton Region has a long-standing history of developing and maintaining strong working relationships with our municipal, provincial and federal partners. Halton advocates on behalf of the community for legislative and policy changes on issues that have been identified as important to residents and in maintaining their quality of life. Halton Region has been advocating for support from all levels of government to ensure that Halton's taxpayers are not burdened with the cost of growth and that the appropriate services are in place to meet the needs of the community.

Halton Region and its Local Municipalities have long-term infrastructure plans to ensure that municipal infrastructure is available to support planned growth and grow the economy in a responsible way. Recent changes to development charges though Bill 23 have significantly affected the amount that municipalities are able to collect from developers to fund the much needed infrastructure to support our growing communities. The central intention of Bill 23 is to build more homes that are attainable for our growing population by discounting and exempting municipal fees and taxes for affordable, non-profit and purpose-built rental housing, and new homebuyers who otherwise face these significant costs. There should be no funding shortfall as a result of Bill 23, and it is critical that the Provincial Government make municipalities whole, to ensure that our funding can advance development and not hinder it. Below provides an example of the potential impact of the phasing reduction on DCs that reduce the collection based on what was calculated.

(000s)	Bill 23 Shortfall Summary		
	Sept 1, 2023 Per By-law	Sept 1, 2023 with Phasing Year 2 (15%)	Loss from Bill 23 Phasing
Water/Wastewater	$931,784	$792,016	($139,768)
Roads	$1,501,958	$1,276,664	($225,294)
Total Program	$2,433,742	$2,068,680	($365,062)

This table indicates that if all DCs were charged today the loss would be in excess of $365 million.

In addition, the advancement of growth through the housing pledges provides additional constraints on infrastructure requirements to support residential growth. To support growth in the interim, due to the shortfall in non-residential growth, which has also been seen in other municipalities, continued work on inflow and infiltration and lower water consumption, Halton is able to leverage the existing plant capacity to support the pledges. In order to ensure there is capacity beyond the 2031 timeframe, it is important to start the necessary capacity expansions to provide a continuum of development into the future. Key expansions are included as part of the 2023 Allocation Program for this reason.

Financial/Program Implications

As noted in this report, staff are proposing to proceed with the financing plan that includes a scoped capital roads program, the reliance on alternative funding sources, borrowing between DC reserves and a minimum subscription of 29,787 units (approximately 16,426 SDEs).

As identified below, the financing required to support the proposed financing plan is $3.2 billion of which $2.0 billion is the residential responsibility and $1.2 billion is Regional responsibility. The associated projects are identified in Attachment #2.

	Growth Related ($000s)		
	W/WW	Roads	Total
Residential[1]:	**$ 1,307,853**	**$ 722,000**	**$ 2,029,853**
Region:			
Non-Residential	400,374	306,048	706,422
Non-Growth[2]	261,122	129,191	390,313
Oversizing	81,936	24,220	106,156
Subtotal	**$ 743,432**	**$ 459,459**	**$ 1,202,891**
Total	**$ 2,051,285**	**$ 1,181,459**	**$ 3,232,744**

Note:

[1] Includes commitments (credits, debt, historical oversizing, 2020 Allocation Shortfall).

[2] Non-Growth State of Good Repair projects are not included and will be approved as part of the 2024 Budget Approval

The residential share ($2.0 billion) will be financed from developers in accordance with the terms and conditions of the Allocation Agreement, DC revenue received for intensification and alternative financing. The Regional responsible related to growth of $1.2 billion is comprised of $706 million in interim financing to support non-residential financing, $106 million for oversizing and $390 million to finance growth state-of-good-repair (SOGR) requirements.

The non-residential interim investments ($706 million) will be financed from the Investment Revolving Fund for water and wastewater ($400 million) and Tax Capital Reserve for roads ($306 million). Ultimately, these Regional reserves will be fully reimbursed including interest from the collection of DCs, as non-residential development proceeds in the future. The oversizing will also be interim financed using the Revolving Fund which will be recovered from future DCs.

The non-growth ($390 million) will be financed from the Rate Reserves for water and wastewater ($261 million) and from the Tax Capital Reserve ($129 million).

In order to provide maximum flexibility to expedite timing of infrastructure based on project need and stage, it is being requested through this report to approve the capital budgets anticipated over the next 3 years. This budget includes previously approved 2023 budgets that are not part of previous allocation projects included in Appendix B of the 2023 Budget Capital Report. The 2023 projects without an approved financing plan (not included in previous allocation programs as per Appendix B of the 2023 Budget Capital Report) are being restated as part of this project list upon approval of this report. This funding will provide opportunity to explore alternative delivery approaches in a goal to accelerate timing. Attachment #3 provides a summary of projects and financing to be approved. Projects will not be able to initiate until execution of agreements. In the event that developments are identified by local municipalities to proceed in the program that require water/wastewater projects to be accelerated, future budgets or staff reports can contemplate approval where appropriate. Further the Allocation Agreement will provide for the consideration of construction works undertaken by the development community subject to the approval of the Commissioner of Public Works.

Given the potential time delay in executing agreements, staff have identified 6 priority planning and design water and wastewater infrastructure projects. These projects were selected as they are multi-year in nature and are extremely important to support future growth. These projects are recommended to proceed in advance of execution. The cost breakdown of growth splits is as follows:

	Water & Wastewater ($000s)	
Growth		
Residential	$	19,173
Non-Residential		6,682
Subtotal	**$**	**25,855**
Non-Growth	**$**	**12,145**
Total	**$**	**38,000**

As detailed in Attachment #4, the funding required is 68% growth-related and totals $38 million. Of the $38 million, $25.9 million is eventually recoverable through development charges and will be interim financed based on actual expenditures from the capital investment revolving fund in the interim. The non-growth component ($12.1 million) will be financed from the rate reserves. Once the Allocation Agreements are executed the financing for these projects will be consistent with the financing identified in Attachment #3.

Upon Council approval of the Financing Plan in this report, and the Local Municipalities confirming the subscription, developers will be required to execute Allocation Agreements and provide all necessary financial securities. If minimum subscription is not met or the DC By-law appeal implications is deemed to be significant, then a subsequent report will be provided to Council to address the impacts.

Respectfully submitted,

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Commissioner, Public Works

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Curt Benson
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Approved by

Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report, please contact:	Curt Benson	Tel. # 7181

Attachments:
- Attachment #1 – 2023-2031 Capital Projects and Financing
- Attachment #2 – 2023 Allocation Program Financing Plan
- Attachment #3 – Capital Budget Approval
- Attachment #4 – Advanced Capital Project Approval