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STAFF REPORT: Finance & IT Services



REPORT TO: Council
MEETING DATE: September 3, 2014
REPORT NO.: FIT.14.52
SUBJECT: Financing Agreement for the Thornbury West Road Improvements
PREPARED BY: Sam Dinsmore, Financial Analyst

A. Recommendations

THAT Council receive Staff Report FIT.14.52, entitled “Financing Agreement for the Thornbury West Road Improvements” for information purposes;

AND THAT Council authorize prepaid Development Charge Credits to be maximized through the front-ending agreement with Sobey's Development;

AND THAT Council authorize a timeline of five years for the repayment and recovery of financing through the front-ending agreement and a pay out of any remaining balances after the five year period expires;

AND THAT Council authorize funding 20% of all Roads and Related development charge collections back to Sobey's Development until fully repaid;

AND THAT Council authorize the use of an annual inflationary clause in the front-ending agreement with Sobey's Development to be tied directly to the Statistics Canada Construction Price Index as used in the Town's Development Charges By-law;

AND THAT the Mayor and the Clerk be authorized to execute a Servicing and Front-ending Agreement with Sobey's for the Thornbury Square Project, upon recommendation of the Director of Engineering & Public Works, the Town's solicitor, and the Chief Administrative Officer.

B. Background

At the July 28, 2014 Special Meeting of Council, Sobey's Development made a deputation to Council regarding their concerns with the scope, cost and recovery of the Thornbury West Road Improvements. Since then Staff has met with Sobey's representatives on a number of occasions and have come to a tentative front-ending agreement. The main points from the front-ending agreement are as follows:

- Sobey's will pay their development charges as outlined in the 2010-18 By-law before December 31, 2014;
- They will receive a full credit for their Roads and Related development charge at the time of building permit issuance;
- The Town will flow back 20% of all Roads and Related development charge collections for the five year period after construction is completed; and

- After the five year period the Town agrees to pay out the remaining balance from the Roads and Related development charge reserve fund.

The Town has offered Sobeys a number of benefits to make this project more financially affordable from their perspective so that this development can move forward, including the following:

- During the last development charge review, the road section of Arthur Street from Landsdowne to Victoria Street was recognized as a development road. This allows the Town to offer Sobeys repayment for the development charge portion of the project; had this section not been added it would all have been a direct developer cost.
- A deferral period for the payment of development charges is offered to current building permit applications if the permit is issued before December 31, 2014. If Sobeys takes advantage of this they will see a decrease in their development charge payables.
- Sobeys will recognize a Roads and Related credit of an additional \$55,000 if they pay under the 2010-18 By-law.
- Sobeys will also recognize a decrease in their Water and Wastewater development charge payable of \$160,000 if they pay under the 2010-18 By-law.

The Town has historically entered into agreements with Developers that have sunset clauses with regards to development charge project repayments. The Highway 26 wastewater servicing agreement has a 25 year agreement and the Grey Road 21 wastewater servicing agreement is for 40 years; these developers were given no guarantee that they would receive full repayments. Sobeys initially baulked at the notion of a payback based on development charges collected over a 5-year period, concerned about the length of time and the fact that there was no guarantee of being fully repaid within the 5-year timeframe. However, Sobeys now seems satisfied with a 5-year payback, provided the Town agrees to repay any outstanding balance at the end of the fifth year.

Staff do have concern regarding the type of precedent such an agreement sets, but have taken their cue from Council's desire to ensure that this development is successful. Staff would normally not offer an agreement like this with a built in hard cap; but this project is smaller than the two listed above, and Staff feel that over the next 5 years the Roads DC collections should cover the repayment amounts.

C. The Blue Mountains' Strategic Plan

To ensure long-term financial sustainability of the Town of The Blue Mountains.

D. Environmental Impacts

N/A

E. Financial Impact

Staff is confident that the majority if not all of the amount owing to Sobeys will be paid back within the five year period. For any amount that isn't, the Town will have sufficient funding available in the Roads and Related reserve fund as the Town will have received 80% of all collections.

This agreement gives the Town the flexibility to continue with our other development charge related projects and also keeps the required flow-backs to a level that Staff believes the Town can afford.

F. In Consultation With

Troy Speck, Chief Administrative Officer
John Metras, Town Solicitor
Ruth Prince, Interim Director of Finance & IT Services, and Manager of Revenue
Reg Russwurm, Director of Engineering and Public Works

G. Attached

N/A

Respectfully submitted,

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