

# Haldimand County

## Front-End Financing of Residential Development

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 Planning for growth

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## **List of Acronyms and Abbreviations**

E.A.	Environmental Assessment
E.I.S.	Environmental Impact Statement
D.C.	Development Charges
O.P.	Official Plan

# 1. Introduction

## 1.1 Background

In May 2015, Council received a request from Armstrong Planning & Project Management, on behalf of McClung Properties Ltd. (Empire) as follows:

“We kindly request that Haldimand County consider approving a policy to assist in front-end financing of residential developments. We believe the proposed McClung residential development will act as a catalyst for further investment in the community.

We are seeking the same financing arrangement as detailed in the ‘Haldimand County Front-End Financing of Development’ report dated March 2014 by Watson and [sic] Associates. This policy allows for the County to provide front-end financing on a 50/50 basis, on local service works as defined under the County’s Local Service Policy.”

Council, on May 11, 2015, considered this request and provided the following resolution:

“Resolution 90-15

THAT the correspondence from Stephen Armstrong, Principal, Armstrong Planning & Project Management Re: Front-End Financing of Residential Development McClung Properties Ltd. (Empire) dated May 7, 2015 be received as information;

AND THAT staff be directed to review the request and report back to Council in Committee.”

Based on the foregoing, Watson & Associates Economists Ltd. has been retained to assist the County in considering this request from a broader policy perspective and in terms of establishing a consistent policy framework that would apply County-wide. As the request from McClung Properties relates to residential development, and the aforementioned document (i.e. Haldimand County Front-End Financing of Development) dealt solely with industrial and commercial lands, the present policy document would need to be refined to consider residential development.

The following evaluation will address the potential of expanding the present policy to consider residential lands.

## **2. Review of Current Policy Framework for Commercial and Industrial Developments**

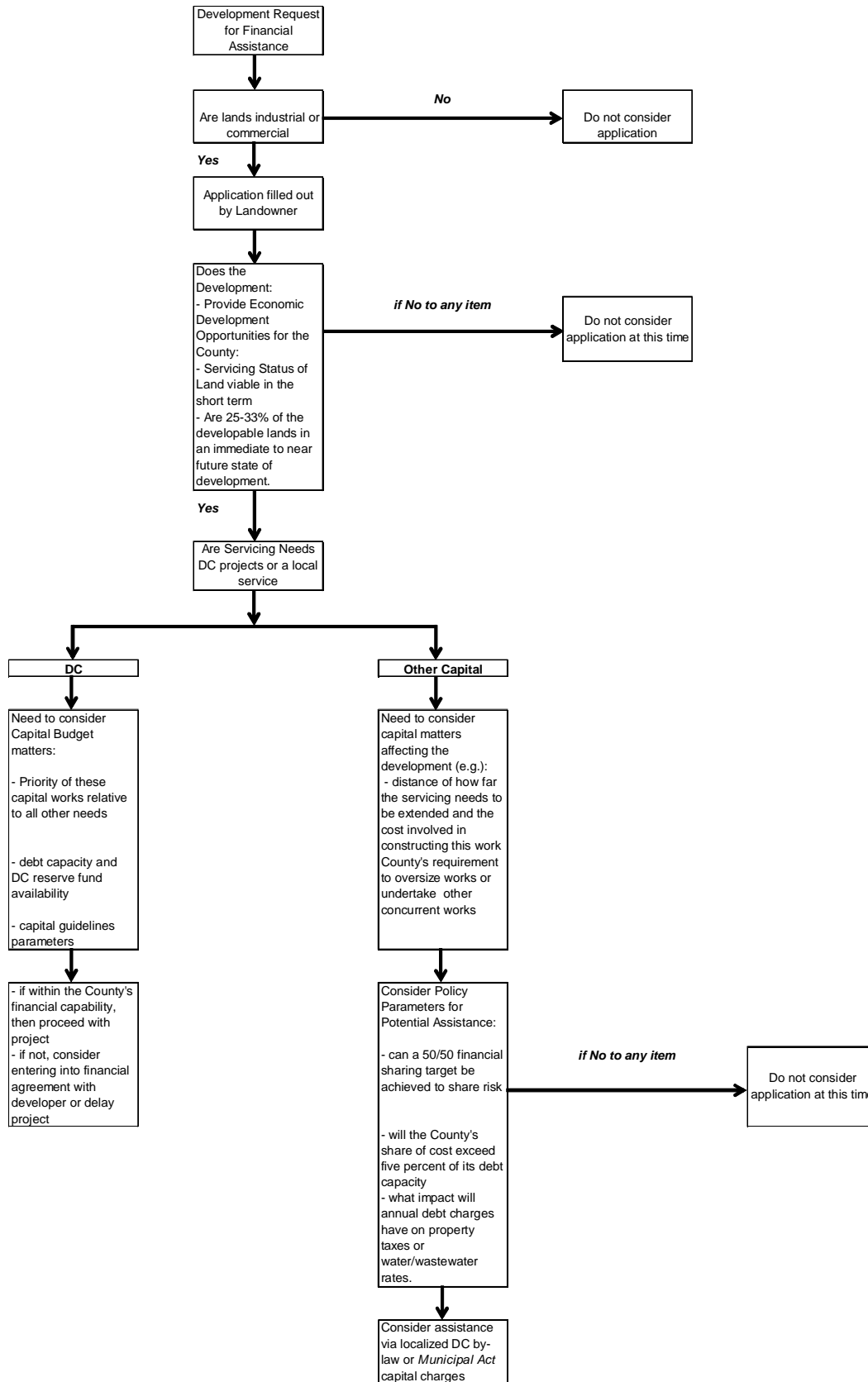
In 2014, Council considered and approved the policies set out in the “Haldimand County Front-End Financing of Development” report dated March 2014. This document set out a policy framework to assist in considering front-ending assistance for industrial or commercial developments. The impetus in developing this policy framework was to promote economic development, job creation and assessment growth. This framework provides:

- Potential lands to be considered – lands must be industrial or commercial;
- An evaluation of the economic development merits must be provided;
- Development for the land – 25-33% of the developable lands benefiting from the servicing should be developable immediately or in the near future;
- Level of front-ending assistance – County should target the servicing costs on a 50/50 basis;
- Levels of investment to be made toward front-ending – in the early term (i.e. five years), the County should allocate up to 5% of its debt capacity towards this policy. This would provide for approximately \$7-10 million, depending upon the interest rate and term of debt.

An application review process was also considered as part of the policy which is summarized in Figure 2-1.

Chapter 3 will consider a potential policy for large-scale residential proposals for Council’s consideration similar to that for commercial/industrial.

**Figure 2-1  
Application Review Process – Industrial/Commercial**



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## 3. Policy Matters for Residential Development

### 3.1 Potential Development Considerations

As part of this process, detailed discussions have been undertaken with staff regarding potential front-end policies for residential development. Consideration was given to the commercial/industrial policies provided in the March 2014 report and the need to advance similar principles and policies for consistency and ensuring the County's objectives were fulfilled.

In consideration of the need for a residential front-end policy, there is rationale to provide assistance to certain types of developments, as follows:

- Target growth rates and densities for Haldimand County are outlined in the Places to Grow Act and large-scale developments are necessary in order to meet provincial growth targets;
- Haldimand County has unique challenges in attracting new development which result in an unpredictable investment climate and increased developer risk being incurred;
- Significantly sized residential housing creates population growth that will generate some commercial and institutional developments and jobs which will assist in meeting the Places to Grow employment forecasts for the County;
- Master-planned "community-sized" developments generally allow for easier integration into the County's overall infrastructure plans but may require significant upfront investment for key infrastructure that would be required.

Based on the above, it may be in the public interest to take some risks to attract large development.

Similar to the industrial/commercial policy, the trigger for considering an application will be to have a "complete application" (under the Planning Act) submitted, along with the appropriate fees, supported by the following:

- a) Demonstration of the needs for services in the short term;
- b) Demonstrated commitment to timely development through submission of all planning studies and applications;
- c) Landowner commitment to share the financial risk of extending services.

Based on the above triggers and submitted documentation, an evaluation of the development would be undertaken. Similar to the industrial/commercial policy, the following evaluation criteria would be evaluated:

### **Economic Development Needs Considerations**

1. Review of projected growth forecasts (from Places to Grow and Official Plan);
2. Consider existing applications and market supply of land in general area;
3. The development advanced has a compelling advantage to the County with respect to meeting housing and employment needs and growth targets;
4. This is a significantly sized housing community with a build-out population that would generate need for additional commercial development and hence would provide some job creation (other than construction of infrastructure to facilitate the development) that makes accelerating longer term capital works desirable.

### **Servicing Status of Land**

1. Availability of existing municipal servicing, and extent of accelerated servicing required;
2. Determine whether the servicing required is a D.C. project vs. a local service;
3. Is servicing capacity available for water and wastewater?
4. Environmental Assessment (E.A.) and Environmental Impact Statement (E.I.S.) are completed;
5. D.C. projects to be advanced are within the first five year capital budget and are included within the existing D.C. Background Study;
6. Consider logical progression of development to contiguous areas of the community – development proposal does not constitute blatant “leap frog” development;
7. An engineering evaluation to be undertaken to examine the technical feasibility of extending services to the area;
8. An engineering evaluation to analyze the capital improvements that may be required to facilitate additional flows or demands, including oversizing.

### **Development Evaluation**

1. Implications on service capacity and any servicing allocation commitments to development properties/proposals already within the serviced area;



2. The benefiting area to be defined, including allocations of the benefit if there are multiple affected property owners;
3. An evaluation of the likely or necessary phasing or staging of services from an engineering and development perspective;
4. An evaluation of the likely timeline to achieve “build-out” of the lands by phase;
5. An assessment of the costs of providing services for each phase;
6. An evaluation of the timeline for the municipality to achieve “financial payback” of its investment costs through the assessment generated from new development;
7. Consideration of whether the County's front-end financing of a particular development creates an unfair competitive advantage.

Based on the above, a sample evaluation form has been developed similar to that used for the industrial/commercial policy and it is included in Appendix A.

## **3.2 Proposed Policy Framework**

Based upon the foregoing discussion and the policies established for the industrial/commercial front-end agreements, an initial policy residential framework is recommended for the County's consideration. It is recognized that this framework needs to be flexible enough to not restrict potential development opportunities while ensuring the financial risk and exposure is maintained at acceptable levels.

### ***3.2.1 Potential Lands to be Considered***

The residential front-end policy is to assist residential lands only. An evaluation discussion is provided in section 3.1, which establishes consideration for achieving growth targets along with potential economic development merits for the proposed developments. It is recommended that the policy apply to larger-scale master-planned “community” developments. A minimum development size is recommended at 500 single detached units or an equivalent mix of housing units.

### ***3.2.2 Development Potential for the Lands***

The front-end policy is meant to assist lands which are potentially viable to develop either immediately or in the very near future. The County would wish to ensure that development would achieve a minimum of 100 units per year. The County would also wish to ensure that the developments are easily serviceable in the early term.

### **3.2.3 Level of Front-ending Assistance**

In considering an individual application, the County would wish to share as much risk as possible with the developing lands. The local servicing cost to be front-ended must immediately benefit a minimum of 75% of the developable lands (i.e. do not want to pre-service lands which may not be developed in the foreseeable future). On this basis, a 50/50 financial sharing target is suggested for these forms of agreements. In regard to the term of the assistance loan, it should be 10 years from the date of the loan or when the development is completed, whichever is less.

### **3.2.4 Level of Investment to be made Towards the Front-end Policy**

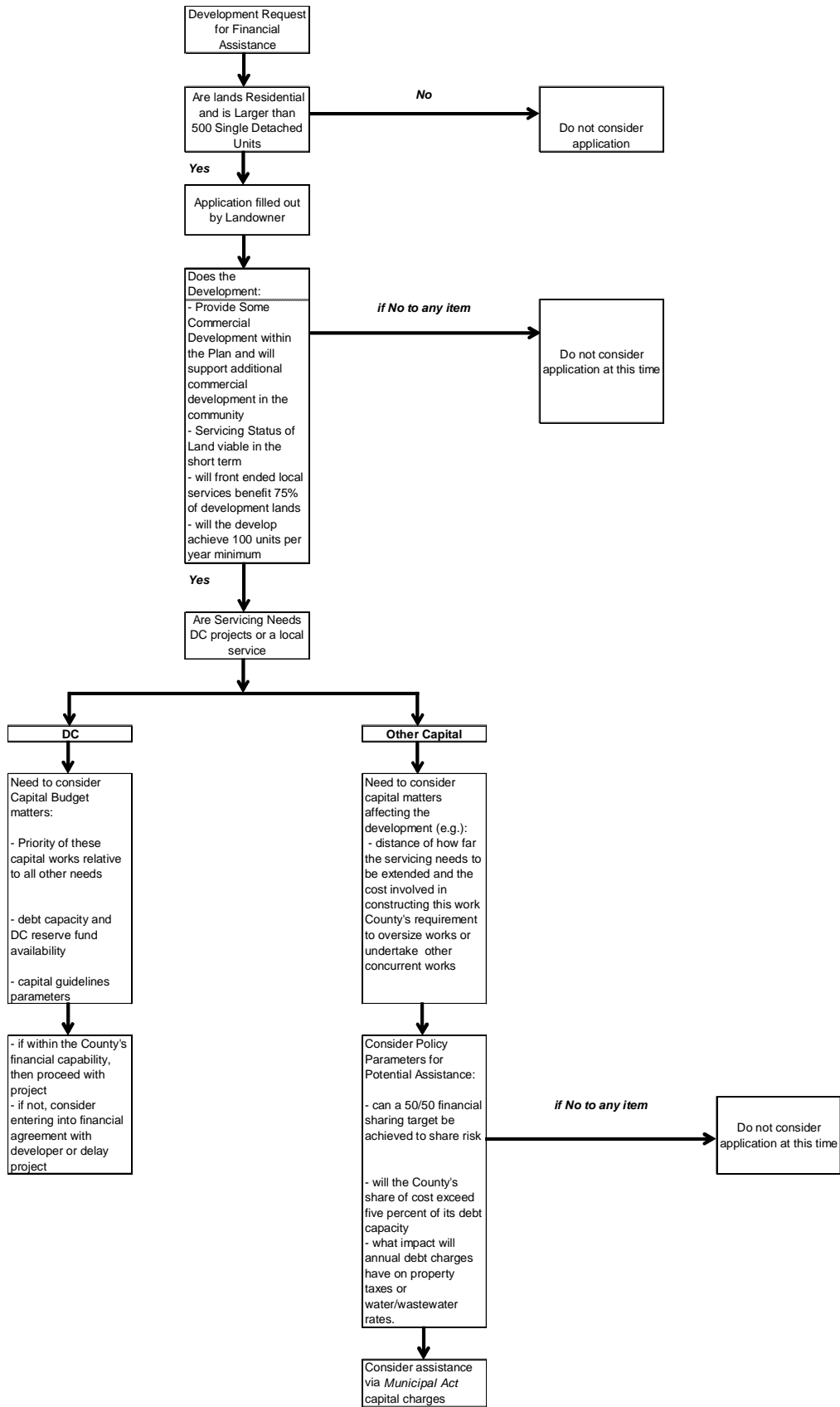
The discussion provided for the industrial/commercial policy acknowledged that the recovery of the funds invested in the policy is based upon how quickly the benefiting lands develop, there should be a “ceiling” on the total amount of works undertaken, at least in the early years of the policy. This ceiling would preserve the County’s overall financial flexibility to carry on its regular capital program, while still allowing for some flexibility to address ad hoc requests for financial assistance. It was suggested that the level of assistance be no more than five percent of the County’s debt capacity. That level of commitment would translate into between \$7 million and \$10 million in capital projects (depending upon the term and interest rate of the debt). As it was recommended that the cost recovery be based on capital charges imposed on benefiting lands, it was assumed that the County would borrow the funds to cash flow the project(s). It was recommended that this policy be in place for five years initially and that it be reviewed at the end of the period to assess its success.

Given that the County has adopted a policy to allocate up to 5% of its debt capacity to assisting industrial/commercial developments, the question then becomes whether further debt capacity is allocated towards residential development or whether the allocation for industrial/commercial should be shared with residential development.

As this potential policy, along with the industrial/commercial policy, is new, further debt capacity allocation is not recommended at this time. Should Council wish to proceed with a residential front-end policy, then up to half of the industrial/commercial debt capacity allocation should be shared with the residential policy.

Based on the foregoing, an Application Review Process schematic for residential development has been developed and is provided in Figure 3-1.

**Figure 3-1  
Application Review Process – Residential**



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## 4. Observations, Conclusions and Recommendations

In March 2014, Council approved a policy framework to assist industrial and commercial developments with front-ending financial assistance. The framework was developed to accelerate the development of non-residential lands as part of the County's strategic objective for promoting economic development.

The approved industrial and commercial framework provided the following:

- Potential lands to be considered – lands must be industrial, commercial or institutional. An evaluation of the economic development merits must be undertaken as part of the process;
- Development potential of the lands – 25-33% of the developable lands benefiting from the servicing should be developable immediately or in the near future;
- Level of front-end assistance – County should target to cost share on a 50/50 basis;
- Level of investment to be made toward the front-end policy – in the early term (i.e. five years), the County should allocate up to 5% of its debt capacity towards this policy. This would provide for approximately \$7-10 million depending on the interest rate and term of the debt.

Consideration was given within this report to a request made by McClung developments regarding implementing a residential front-end policy similar to that of the industrial/commercial policy. Based upon discussions with staff, there are merits in providing assistance to certain types of residential developments, as follows:

- Target growth rates and densities for Haldimand County are outlined in the Places to Grow Act and large-scale developments are necessary in order to meet provincial growth targets;
- Haldimand County has unique challenges in attracting new development which result in an unpredictable investment climate and increased developer risk being incurred;
- Significantly sized residential housing creates population growth that will generate some commercial and institutional developments and jobs which will assist in meeting the Places to Grow employment forecasts for the County;
- Master-planned “community-sized” developments generally allow for easier integration into the County's overall infrastructure plans but may require significant upfront investment for key infrastructure that would be required.

Based on the foregoing, similar principles utilized in the Front-end Financing of Non-residential Development policy were adopted for residential development, as follows:

- Size – only applies to large-scale master-planned “communities” of no less than 500 single detached units or equivalent;
- Scale – relatively rapid staging of development providing a minimum of 100 units per year to be constructed;
- Eligible Servicing Cost – the local servicing cost to be front-ended must immediately benefit a minimum of 75% of the developable lands – developer must contribute a minimum of 50% towards local service cost;
- Financing Terms:
  - Interest rate and repayment parameters same as non-residential policy;
  - Repayment term – 10 years from date of loan or when development completed, whichever is less;
  - County’s overall debt capacity limit allocated to the combined non-residential and residential policy is capped at 5% of the County’s annual repayment limit – not more than half of this amount to be allocated to the residential policy.

This policy report is provided for Council’s consideration. Similar to the process undertaken with the non-residential policy, should Council wish to proceed in principle, a further public process should be undertaken and a potential test development should be considered prior to Council considering whether to adopt the residential policy or not.

# **Appendix A – Sample Development Evaluation Form**

<input type="checkbox"/> Office <span style="float: right;">Applicant Information</span>		
Applicant Information	Name:	
	Address:	
	Phone No:	
	Email Address:	
Description/Location of the Subject Land	Municipality:	
	Concession Number:	Lot Number:
	Registered Plan:	Lot(s)/Block(s):
	Reference Plan No:	Parcel Number(s):
	Street No:	Name of Street/Road:
	Approximate Area of the Subject Lands:	Hectares:
		Acres:
Roll Number		
Description of Proposed Use	<input type="checkbox"/> Residential - Low Density <input type="checkbox"/> Residential - Medium Density <input type="checkbox"/> Residential - High Density	
	<input type="checkbox"/> Retail <input type="checkbox"/> Office or Related <input type="checkbox"/> Other:	
	Number of Potential Residents:	
	Number of Potential Employees:	
What is the Current Use(s) of the Subject Land?		
Municipal Staff Contact Information	Staff Name:	
	Position:	
	Phone No:	Email:

Development Needs Consideration			
<p>1. Review of projected growth forecasts (from Places to Grow or Official Plan)</p>	<p>Explain:</p>		
<p>2. Consider existing applications and market supply of land in the general area</p>	<p>Is there an under supply in the area?:</p>		<input type="checkbox"/> Yes <input type="checkbox"/> No
	<p>Does this development assist in achieving growth targets?:</p>		<input type="checkbox"/> Yes <input type="checkbox"/> No
	<p>Explain:</p>		



<p>3. The development is a master planned "community"; i.e. large scale, integrated services/facilities, self contained amenities - minimum size of 500 single detached units or equivalent</p>	<p>Explain:</p>
<p>4. This development provides commercial/institutional job creation (other than construction) or supports the need for additional commercial development elsewhere in the community</p>	<p>Explain:</p>

**Servicing Status of Land**

1. Availability of existing municipal servicing, and extent of accelerated servicing required	Explain:		
2. Is servicing capacity available for water and wastewater?	<input type="checkbox"/> Water	<input type="checkbox"/> Wastewater	
3. E.A./E.I.S. are completed?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
4. Projects to be advanced are within the five-year capital budget timeframe and are included within the existing D.C. background study	<input type="checkbox"/> Yes (Is Within 5 Years)	<input type="checkbox"/> No (Is Not Within 5 Years)	<input type="checkbox"/> Not In Capital Budget
	Explain:		
5. Consider logical progression of development to contiguous areas of the community - development proposal does not constitute blatant "leap frog" development	Explain:		
6. An engineering evaluation to be undertaken to examine the technical feasibility of extending services to the area	Explain:		
7. An engineering evaluation to analyze the capital improvements that may be required to facilitate additional flows or demands, including oversizing	Explain:		

Development Evaluation				
1. Implications on service capacity and any servicing allocation commitments to development properties/proposals already within serviced area	Available Capacity in Area:			
	What level of Capacity is needed for the development?:			
2. Benefiting area to be defined, including allocations of the benefit if there are multiple affected property owners	List Properties			
	Area	Property Size	Development Type	Servicing Needs
3. An evaluation of the likely or necessary phasing or staging of services from an engineering and development perspective	Provide description of phases or timing:			
4. An assessment of the costs of providing services for each phase	Explain:			
5. An evaluation of the likely timeline to achieve "buildout" of the lands by phase	Commencement Year:			
	Buildout Year:			
	Will the development provide a minimum 100 units per year?:			
6. An evaluation of the timeline for the municipality to achieve "financial payback" of its investment costs through the assessment generated from new development	Explain:			
7. Consideration of whether the County's front-end financing of a particular development creates an unfair competitive advantage	Explain:			