The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
June 13, 2019

Report of the Commissioner of Corporate Services and Chief Planner

Growth and Infrastructure Alignment

1. Recommendation

Council endorse the principles presented in this report for the purposes of informing York Region's 2041 growth forecast as part of the Municipal Comprehensive Review.

2. Summary

The Growth Plan requires municipalities to plan for population and employment growth to 2041. Optimizing existing investments before triggering investments in additional infrastructure will be key to meeting provincial growth targets while supporting the principles of the Region's fiscal strategy.

Key Points:

- Accumulation of growth-related debt in the late 2000s and early 2010s (growth era debt), coupled with lower than expected population growth prompted Council's approval of a Fiscal Strategy which provided tools to manage debt and better align capital spending with growth
- The 2041 forecast will revisit the current 2031 population and employment distribution to take into account delays in planned infrastructure and the principle of maximizing efficient use of existing transit and water and wastewater infrastructure
- Major infrastructure projects should be staged to support the Region's ultimate 2041 population of 1.79 million
- Staging of growth within existing and planned infrastructure will create fiscal room for the next generation of infrastructure projects
- The Region's 2041 growth forecast will optimize planned growth and additional infrastructure in a fiscally sustainable manner

3. Background

York Region is required to plan for 1.79 million people and 900,000 jobs by 2041

The Growth Plan sets population and employment targets for upper tier and single tier municipalities in the Greater Golden Horseshoe. Through their Official Plans, municipalities are obligated to plan to achieve these forecasts. Planning for growth to meet Growth Plan targets does not guarantee that growth will occur in the anticipated timeframe, or that infrastructure can be delivered in a financially sustainable manner within this timeframe if growth doesn't materialize as planned.

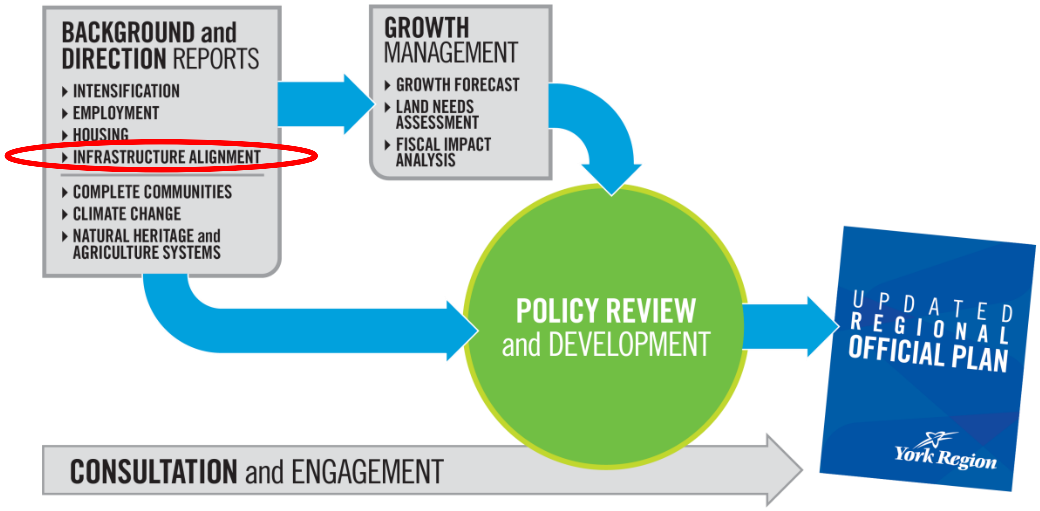
To align with Growth Plan 2041 targets, York Region staff will be updating York Region's population and employment forecasts to conform to the Growth Plan forecasts of 1.79 million people and 900,000 jobs by 2041. Achieving these projections requires an estimated growth of 608,000 people and 264,000 jobs from mid-year 2018. Updated forecasts will be undertaken along with a land needs assessment to determine if additional urban expansion lands are required to accommodate growth to 2041. Currently, under the Regional Official Plan, the Region is planning to achieve a population of 1.5 million and employment of 780,000 by 2031 and has designated land to accommodate this growth.

Aligning growth and infrastructure is one aspect of the Municipal Comprehensive Review

This is one of a series of reports to support planning for growth through the Municipal Comprehensive Review and Regional Official Plan update. Various reports and studies informing the Municipal Comprehensive Review are shown in Figure 1. Other important inputs to the land needs assessment include background information on intensification and employment, presented to Council in April 2019 and May 2019, respectively. The Growth Plan requires the planning for new or expanded infrastructure to occur in an integrated manner, including evaluations of land use planning, environmental planning and financial planning. The Municipal Comprehensive Review will include a fiscal impact analysis of the Region's growth forecast, also shown in Figure1.

Figure 1

Municipal Comprehensive Review Components



Growth in the Region is supported by significant infrastructure investment

The Region is responsible for major infrastructure systems, including water and wastewater, transit and roads, needed to support growth. Growth forecasts are developed to meet provincial targets and allocated to the nine municipalities taking into consideration Provincial growth targets, planning policy, demographic factors, market trends, historic development trends and servicing factors. In the past, while major servicing factors were considered to develop growth forecasts, Infrastructure Master Plans for water and wastewater and transportation were largely prepared in response to the updated growth forecasts. New infrastructure was planned to be implemented to support growth in locations identified by the forecast.

External factors have resulted in growth distribution across the Region that differs from what was forecast in 2010 and reflected in the York Region Official Plan. For example, the Upper York Servicing Solution, originally estimated to be completed in 2016, has been delayed to 2026 at the earliest, impacting the timing of growth in East Gwillimbury, Newmarket and Aurora. The Spadina subway extension has resulted in unprecedented growth in the Vaughan Metropolitan Centre, with current planning applications surpassing 2031 forecasts for this area. Until recently, lack of funding commitment has resulted in the Yonge Subway Extension being delayed, but that project is now back on track.

Given the Region's Fiscal Strategy, in place since 2014, and through the current Municipal Comprehensive Review, there has been greater emphasis on a collaborative and iterative approach to population allocation and staging to better align with additional infrastructure provision, in a way that ensures fiscal sustainability. Under this approach, infrastructure capacity and timing considerations play a more prominent role in allocating provincial growth forecasts for York Region to the local municipalities.

Development charges help fund growth-related infrastructure

Based on the principle that growth should pay for growth, or the infrastructure it requires, development charges are the primary source of revenue for the Region to fund growth-related infrastructure. Growth-related costs include hard infrastructure costs for water and wastewater, roads, and transit as well as general services such as police and emergency medical service.

Due to a number of statutory deductions required by legislation, development charges do not recover the full cost of growth. Most road infrastructure is 90 per cent funded by development charges. Since most growth-related infrastructure must be in place before growth occurs, the Region incurs debt to finance capital project construction. This debt is repaid through future development charges which are collected from developers when building permits are issued.

4. Analysis

Rapid growth in the early to mid-2000s led to the accumulation of infrastructure debt

York Region's population grew rapidly between 2000 and 2008, growing at an average annual pace of 34,600 people per year, well above the Greater Toronto and Hamilton Area (GTHA) average growth rate at that time. This level of growth necessitated long range capital infrastructure investments including the York-Durham Sewage System south-east collector, the 16th Avenue collector and rapid transit investment along Regional Corridors. These infrastructure investments supported both residential and employment growth in the Region. Consistent with the approach typically used by Ontario municipalities, the Region paid for these large scale infrastructure projects through debt financing. This 'growth era debt' was key to establishing the Region's vibrant urban structure of Centres and Corridors and planning for the growth anticipated by the Growth Plan and designated in the Regional Official Plan.

A number of factors, including the 2008-2009 economic recession, led to lower development charge collections than forecasted while capital costs increased as a result of the growing complexity of construction in the current regulatory environment. Population growth slowed in the late 2000s and early 2010s, resulting in forecasts not being met and slowing debt repayment because development charge revenues were lower than anticipated. The timing and amount of development charges collected necessitated the Region taking on additional debt to finance infrastructure to service planned growth.

Council adopted a fiscal strategy in 2014 aimed to reduce debt by adjusting the timing of growth-related capital spending

In 2014, Regional Council adopted a fiscal strategy to address escalating debt stemming from lower growth than anticipated and the subsequent lower development charge revenues. The strategy included the realignment of some growth-related capital projects to better align spending with the actual growth that it was intended to support.

This strategy has allowed the Region to maintain a state of sustainable financial ‘equilibrium’ by limiting capital expenditures and halting the accumulation of unsustainable debt. Since 2014, a number of growth related water and wastewater and transportation projects have been deferred to better align them with the revised development charge collection forecast.

Maintaining fiscal sustainability is a Regional priority. Over the past four years, approximately 70 per cent of annual development charges collections has been required to pay principle and interest on debt, with the remaining 30 per cent available for new capital investments.

The current fiscal situation with a large share of development charge revenue servicing debt leaves limited financial room in terms of increasing growth-related capital expenditures until growth era debt is further reduced. There is limited ability to manage higher than planned capital investments in the short term and limited tolerance if development charges collections are lower than anticipated. As part of the Region’s fiscal strategy, increased consideration should be being given to promoting growth where there is existing servicing capacity to ensure timely development charge revenue and lower capital costs.

Bill 108, More Homes, More Choice Act, 2019 proposes significant changes to how municipalities fund growth-related infrastructure

On May 2, 2019, the Provincial Government introduced the More Homes, More Choice Act, 2019 (“Bill 108”) which proposes to make changes to how municipalities determine and collect development charges. The Bill proposes a number of changes to the Development Charges Act, 1997, with the goal to provide more certainty to developers and reduce the cost of development.

Staff analysis indicates that if Bill 108 becomes law, it is expected to further reduce the share of growth-related costs that can be funded through development charges. In addition, the proposed changes could significantly limit the Region’s ability to collect development charges in a timely fashion. The commenting period on Bill 108 closed on June 1, 2019. Staff are waiting further clarification on a number of areas including regulations.

York Region can accommodate a significant amount of population growth based on infrastructure investments made to date

While York Region is committed to delivering infrastructure to support growth to 2041, capitalizing on existing infrastructure investments is important to create fiscal room for the next generation of growth. Over the last decade, York Region has made significant investments in infrastructure. As a result of this investment, capacity has been allocated Region-wide to accommodate a significant portion of the Region’s 2031 forecasted population. Additional population growth can be accommodated by leveraging available capacity in existing infrastructure across the Region. As highlighted in the 2018 Growth and Development Review report and Centres and Corridors update, the market is capitalizing on existing investments by delivering higher levels of intensification in areas supported by existing and planned infrastructure including bus rapid transit and the new Spadina subway extension.

Although delays in infrastructure are likely to impact the timing of build-out of some greenfield areas previously forecasted to accommodate growth to 2031, the market is responding well to existing opportunities with more efficient use of existing greenfield areas and higher than planned levels of intensification being realized than has been achieved over the past ten years. As such, staff will be revisiting 2031 population and employment forecasts based on the principle of maximizing use of existing transit and water and wastewater infrastructure.

Significant infrastructure investments are required to accommodate the ultimate 2041 population and employment forecasts

To accommodate the ultimate 2041 population and employment forecasts, significant investments in new water and wastewater and transit infrastructure will be required. A list of major projects required is included in Table 1. Existing planned investments balance infrastructure required to service both the build-out of existing greenfield areas as well as intensification areas which supports the Growth Plan's intensification-first approach to growth.

Table 1

Major Infrastructure Projects Required to 2041

Infrastructure Project[1]	Current Planned Timing	Cost[2]
Upper York Sewage Solution	2026	$ 640 million
Yonge Subway Extension	2027[3]	$ 1 billion[4]
Northeast Vaughan sewer	2028	$ 160 million
West Vaughan sewer	2028	$ 320 million
Duffin Creek Outfall Expansion	Post 2031	$ 250 million

1. With the exception of the Yonge Subway extension, funding for these projects is currently within the Region's 2019 budget.
2. Costs are estimates only and subject to change.
3. Timing of the Yonge subway to be confirmed by the Province, as the project will be constructed and managed by Metrolinx and Infrastructure Ontario.
4. Cost estimates for the Yonge Subway are preliminary and subject to funding contribution negotiations with other funding partners as well as revisions upon completion of the Preliminary Design and Engineering.

Delivering on these projects while maintaining financial sustainability will be contingent on:

- Meeting Provincial growth forecasts
- Meeting DC collection forecasts, currently predicated on collecting an average annual amount of $380M / year over the next ten years (estimate does not factor in the anticipated effects of Bill 108 or Yonge Subway)

- Keeping to the planned capital investments in the 10-year capital plan
- Avoiding re-creating the accelerated debt accumulation of the 2000s and 2010s

As such, the principle for forecasting growth to 2041 will be to stage infrastructure to align with actual growth.

Managing travel demand and timely delivery of water and wastewater infrastructure are key challenges in York Region

Critical to planning for growth will be managing travel demand and traffic congestion and addressing water and wastewater bottlenecks. In order to manage travel demand on Regional roads, timely delivery of the Yonge Subway extension to Richmond Hill Centre, completion of bus rapid transit network, enhancement of existing bus and GO rail transit, cycling and pedestrian networks, as well as Regional road widenings will be important. Delivery of key water and wastewater related infrastructure projects such as the Upper York Sewage Solution and Northeast Vaughan sewer will also be important in order to build-out some of the existing designated lands in the Region.

An integrated growth management approach to land use planning, servicing, and financial management is essential

To support growth to 2041, an integrated growth management approach to land use planning will be required to manage the capital plan in line with objectives of the Council approved Fiscal Strategy. Capital investments will need to be more closely aligned with the timing and location of actual growth and collection of development charges revenues to pay down growth era debt for existing infrastructure prior to investing in additional infrastructure. The bottom line is that the Region will not be able to make all investments listed in Table 1 at once without accelerating the accumulation of debt. Prioritization and staging of capital investments for these projects to align with actual population thresholds achieved rather than by year based on the Region’s growth forecasts will be required. This is a more financially sustainable approach and will impact the timing and location of future development in the Region.

Focusing development to align with existing infrastructure and prioritizing and staging future investments will be key mechanisms for achieving better integration of land use and infrastructure planning in a fiscally sustainable fashion. Attachment 1 shows major population growth areas in the Region. Aligning growth over the short and medium term with the areas identified in Attachment 1 that are currently available for development will generate development charges revenues, decreasing debt and increasing capacity for new investments. These lands have infrastructure in place to support a high level of development (over 5,000 people) without significant new investments.

External risks could further impact achievement of growth forecasts and development charges collections

A number of external risks have the potential to impact the Region’s ability to achieve both population and development charge revenues in the Region. Achieving the 2041 Growth Plan forecast requires an average annual growth of 26,400 people. If the growth contemplated by the Growth Plan does not materialize as expected, development charge collections will be lower than projected. The Region is obligated to build the infrastructure; however, private landowners are not obligated to develop their lands. The Region is therefore forced to finance the cost of infrastructure until private landowners decide to develop. Lower development charge collections delay debt repayment resulting in fewer funds available for annual capital infrastructure investment. Additional pressure may be placed on municipalities where built servicing capacity sits unused, incurring operating and maintenance costs without the necessary property assessment revenue to pay for these costs.

Other potential risks to population growth and development charges collections include:

- Slowed development approvals as a result of provincial policy uncertainty or LPAT appeals may result in fewer units coming to market on an annual basis

- Bill 108 proposes to further limit a municipality’s ability to recover growth-related costs through development charges. Staff are assessing the impact of Bill 108 on the Development Charges Act, as well as the corresponding changes to legislation on housing affordability and rental supply

- Changes in the economy such as market downturns, slowdowns in intensification-related development, and worsening housing affordability could impact the timing and level of development charges collected

Population and employment forecasts should optimize existing investments before triggering investments in additional infrastructure

In preparing updated forecasts to 2041, Regional staff are coordinating environmental and transportation infrastructure with financial sustainability to ensure strong alignment between the Region’s growth forecast and existing and planned infrastructure investment to maintain fiscal sustainability. In coordinating this work, adjustments in terms of timing and location of development may need to occur in order to more closely align growth to financial capacity and infrastructure capacity and timing and to address risks to revenue forecasts. This may include maintaining expenditure limits until existing growth era debt is paid down and staging capital investments with actual population threshold achievement rather than specific years based on what was anticipated in growth forecasts.

To better align land use and infrastructure investment in a fiscally sustainable manner, the following principles will guide the development of the 2041 growth scenario:

- Optimize existing infrastructure in a fiscally sustainable manner to ensure a better return on existing investments
- Support the planned Regional and local municipal planned urban structure including planned intensification areas such as Regional Centres and Corridors, Major Transit Station Areas, and local centres and corridors
- Planned growth premised on supporting Growth Plan and Regional Official Plan planning principles associated with building complete and sustainable communities
- Distribution of overall growth based on market trends
- Tie delivery of new infrastructure to the achievement of specific population thresholds

The forecast will also be supported by policies to encourage or better direct growth to areas that have existing servicing capacity.

York Region relies on a number of partners in supporting growth and investing in servicing

To meet population and employment forecasts, timely delivery of growth-related servicing will be required. That said, achieving growth targets in a fiscally sustainable manner relies on a number of partners. Supporting and managing growth is undertaken in partnership with the Province, local municipalities, the development industry (including BILD), and others.

The Region is committed to working with its partners to stage servicing and development in a way that corresponds to the achievement of specific population thresholds and timing that more accurately reflects timing of infrastructure to accommodate growth rather than provincial forecasts. Understanding and preparing for external risks will be done through greater transparency and dialogue with internal and external partners.

There will be opportunities in the future to review forecasts

As discussed above, planning for growth to 2041 will be based on maximizing efficient use of existing infrastructure and staging future infrastructure delivery. Between now and 2041, there will be a number of Municipal Comprehensive Reviews. These reviews will provide opportunities to confirm and if necessary, adjust forecasts and infrastructure delivery timing to reflect actual growth and updated projections of planned growth within the Region.

5. Financial

Work related to growth management is completed by internal resources and all costs are addressed in the approved budget. Consideration of the findings and observations through the review and update of the Regional Official Plan will occur within the existing staff complement.

Managing growth in a fiscally sustainable way including aligning growth with investment in infrastructure has direct impact on the fiscal health of the Region.

6. Local Impact

Local municipal staff are part of a Local Municipal Working Group providing ongoing input and feedback throughout the Regional Municipal Comprehensive Review process.

As part of the Regional Municipal Comprehensive Review, new local municipal population and employment forecasts to 2041 will be generated. Local municipal staff will be consulted during the forecast process. Local municipal official plans will need to conform to the new forecast and Regional Official Plans once approved by the Province through the Municipal Comprehensive Review.

7. Conclusion

A strategic and integrated growth management approach to land use planning, water and wastewater and transportation infrastructure planning, and fiscal accountability is required. It is proposed that managing growth in York Region be based on the following principles:

- The current 2031 population and employment distribution will be revisited to maximize the utilization of existing infrastructure to create fiscal room for the next generation of growth;

- Growth to 2041 will be based on the principle of staging infrastructure to align with actual growth.

A draft growth forecast will be presented to Council late in 2019 which optimizes existing investments before triggering investments in additional infrastructure. Development and implementation of the forecast will be done in partnership with local municipalities as well as other industry stakeholders and the public.

For more information on this report, please contact Sandra Malcic at 1-877-464-9675 ext. 75274. Accessible formats or communication supports are available upon request.

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Attachments (1)
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