

Municipal Service and Financing Agreements Policy



Agenda



Background and Risk Assessment



Key Policy Elements



Proposed Fees and Implementation Plan

Background and Risk Assessment

Background



Development charges fund growth enabling infrastructure and amenities.

October 2023 Council direction to investigate the use of front-ending agreements as a potential tool for accelerating development ahead of City budgeted timelines.

Future Guelph Strategic Plan alignment:
Objective 6 - Improve Housing Supply.

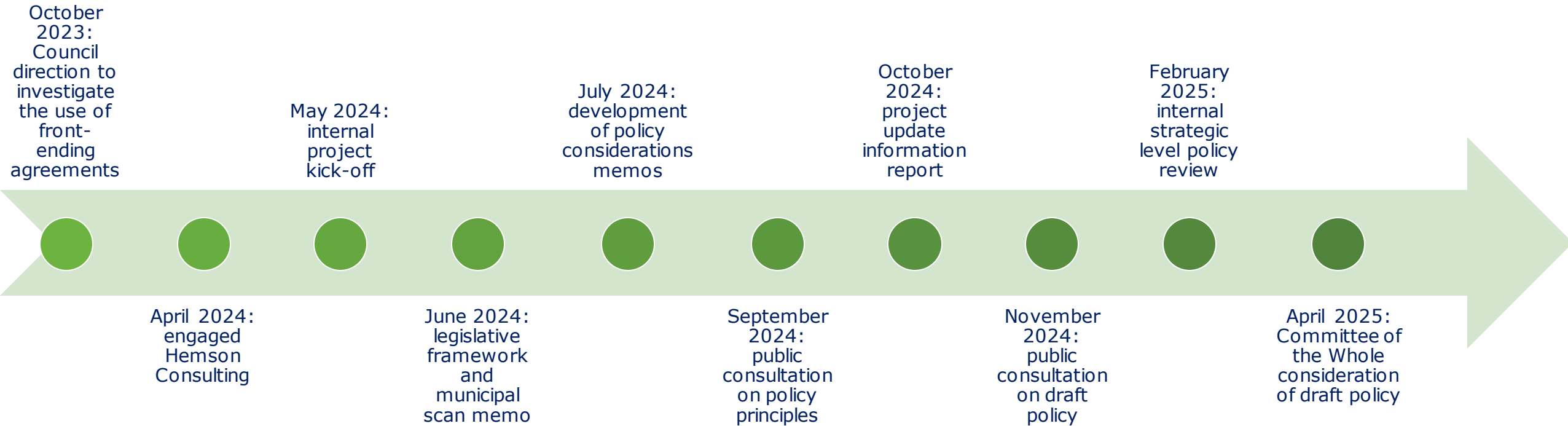
Purpose of the Policy

Accelerate residential development by advancing construction of housing-enabling infrastructure ahead of the City's budgeted timelines.

Manage risks and minimize impacts on existing tax and rate payers.

Set out the parameters for MSFAs to provide transparency and fairness for all parties.

Project Timeline



Legislative Framework

Development Charges Act (DCA)

Section 27 –broadly permits City to enter into an agreement for the early or late payment of DCs.

Section 38 -permits the City to allow a person to perform work related to the DC by-law and be provided a credit in accordance with an agreement. Credits are limited to the service(s) that the work was provided in.

Section 44 –enables Front-ending Agreements

Policy Considerations



Planning



Engineering



Parks



Legal



Finance

Potential Risks of MSFAs



The City may incur additional operating costs from advancing the timing of the works



If less growth occurs in the development area, it can leave the City with services which may be under-used



Advancing projects may create challenges in delivering all of the scheduled projects as well as the one(s) being advanced



Risk of unclear terms, difficult administration

MSFA's Expected Impact on Credit Rating



City staff reviewed the five criteria S&P Global Ratings uses to evaluate the City's credit rating.



Staff's assessment is that there is expected to be little to no impact on the credit rating from entering into MSFAs.

Policy Elements

Guiding Principles



Accelerate Housing



Financial Viability &
Sustainability

Initial Interest and General Provisions



Developer should consider whether any City infrastructure is required in advance of the proposed development.



An MSFA application request must be submitted to the City in accordance with the application procedure.



Application process is designed to be progressive.

Mandatory Requirements



MSFAs are at the discretion of the City and the City is not obligated to approve any request, even if all criteria are met.



To receive DC Credit, a Developer must enter into a MSFA with the City under this Policy.



Where more than one Developer or a Developer group is undertaking Eligible Works, the Developers must create a Developer trust and appoint a trustee

Two ways to advance housing enabling infrastructure

City-led: developer finances the early construction works, and the City delivers the project on the developer's schedule

Developer-led: developer finances and delivers the works to the satisfaction of the City.

Credits and Reimbursements

How developer gets repaid for financing project:

- Development Charge Credits
- Development Charge Reimbursements
- Non-Growth Cost Reimbursement

The credit is based on the cost of the works as determined in the developer created and mutually agreed to Work Plan.

Project Cost and Repayment



DC study cost estimate



Agreed upon work plan



Actual cost



Delegated Authority for MSFA Approvals

The City Treasurer may approve the agreement if all the below noted conditions are met:

- The project is included in the City's most recent DC Background Study.
- The project is included in the City's most recent Capital Budget.
- The cost of the projects outlined in the approved Work Plan does not exceed the amount in the Capital Budget.
- 70 per cent or more of the anticipated DC collections are to come from the Developer(s) involved in the agreement.

In situations that do not meet these criteria, Council approval of an MSFA will be required.

Proposed Fees and Implementation Plan

Application Fee Structure



Initial Application Fee: \$1,500



Detailed Application Fee: 1 per cent of the estimated cost of the project, up to a maximum of \$20,000.



Cost recovery for costs for external legal and consulting work, if required for complex applications.



Work plan review and construction monitoring – a fee of 6 per cent of the estimated cost of the project.

Implementation



The time required to review and analyze applications, approve Work Plans, and enter into and manage agreements is expected to be highly variable depending on the complexity and specifics of any given application.



Staff are recommending that the City implement the MSFA Policy using a phased approach for processing applications and agreements after Council approval of the policy.

Feedback and Questions