

# London Development Institute

November 15, 2011

City of London  
300 Dufferin Avenue  
London, ON  
N6A 4L9

Attn.: Mayor Joe Fontana and Members of the Finance and Administration Committee

## **Re: Municipal Service Financing Agreements (MSFA)**

Dear Mayor Fontana,

The LDI has participated in the process to develop a Municipal Servicing Financing Agreement (MSFA) with City staff, Gary Scandlan from Watson and Associates and members of the Urban League. We have reviewed the report prepared by Martin Hayward and we are in general agreement with the majority of the recommendations as proposed.

Many of the recommendations provide direction for City staff to continue to develop the MSFA, to review works included in future Development Charge projects, establish an administrative fee to prepare a MSFA and to develop a debt cap for projects financed by the City Services Reserve Fund (CSRF) as well as other initiatives. These recommendations will require further debate and review with the industry and City staff to formalize how the MSFA will be implemented.

We do have a concern with the recommendation that the MSFA will not be available until the next Development Charges (DC) update scheduled in 2014 is complete. The DC update is more than two years away and there are current development opportunities that require the MSFA to move forward to provide economic benefits to the City.

Secondly, the Accelerated Payment and the Service Emplacement Agreements being proposed in the recommendations of the report don't work well for residential subdivision development based on the reimbursement being provided by DC credits. These types of agreements may be better suited to commercial or multi-family site plan developments where the developer will be completing the construction of the site sooner than the build out of a subdivision and will collect the credits at the time of the application for building permits.

The Front Ending Agreement will be the primary agreement used to finance a MSFA for residential subdivision developments in London with reimbursement being made by either credits or repayment in the year the project was identified

in the GMIS based on a cumulative growth amount anticipated in the GMIS forecast.

Thirdly, the \$5 million cap for all MSFA agreements is too low and may result in only one project being able to proceed at a time given the higher cost of project construction today. The cap should be removed and there should be a mechanism in place to review the merits of each project as they come forward based on the financial benefits to the City to allow the project to proceed in relation to the City's current debt capacity.

The MSFA is a "work in progress" and will require further refinement as lessons are learned as the first agreement is entered into and implemented. We appreciate the concerns raised by City staff regarding the risk and financial implications of utilizing the MSFA to the City but if the GMIS is kept current with realistic expectations for project delivery the need for a MSFA will be required on an exception basis only where there is a direct benefit to all parties involved.

The LDI is willing to work with the City to further explore the other considerations recommended in the report and to finalize the MSFA agreement taking into consideration our concerns raised in this letter.

Sincerely,  
London Development Institute



Jim Kennedy  
President, LDI