

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013**

Item 4, Report No. 3, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 19, 2013.

#### **4                    2013 DEVELOPMENT CHARGE BY-LAW REVIEW UPDATE**

**The Finance and Administration Committee recommends:**

- 1)        That the presentation by the Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments, and C2, presentation material, entitled “2013 Development Charge Review”, dated February 11, 2013, be received;**
- 2)        That the following deputations be received:**
  - 1)        Ms. Audrey Jacob, IBI Group, Richmond Street West, Toronto, representing the Building Industry and Land Development (BILD) Association;**
  - 2)        Mr. Chris Atkins, SmartCentres, Applewood Crescent, Vaughan; and**
  - 3)        Mr. Marco Filice, representing Liberty Development Corporation, Steelcase Road, West, Markham;**
- 3)        That Communication C1, from Ms. Paula Bustard, SmartCentres, Applewood Crescent, Vaughan, dated February 8, 2013, be received;**
- 4)        That a detailed analysis of the issue of incenting the development of office buildings in the City of Vaughan be undertaken with the goal of developing a comprehensive strategy on this matter;**
- 5)        That the analysis include considering the widest range of financial and other tools available to attract office development in order to provide the City of Vaughan with a competitive advantage in the future;**
- 6)        That the draft strategy be considered at a future Committee of the Whole (Working Session) meeting, and that the final report be presented to Council by June 2013; and**
- 7)        That the following report of the Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments, dated February 11, 2013, be received.**

#### **Recommendation**

The Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments recommend:

That the presentation and report “2013 Development Charge By-law Review Update” be received.

#### **Contribution to Sustainability**

The objective of Development Charges collection is to fund and construct new public infrastructure for new growth population, sustaining the same level of service experienced by that of the existing population.

#### **Economic Impact**

There is no economic impact associated with this report; however, the purpose of updating the City's Development Charge By-law is to make every effort to ensure that growth-related infrastructure is paid for by the development requiring the service.

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013**

#### **Item 4, Finance Report No. 3 – Page 2**

##### **Communications Plan**

Two stakeholder workshops have taken place with the development industry:

1. Workshop #1 - April 4, 2012
2. Workshop #2 - January 25, 2013

The workshops included members of the Building Industry and Land Development Association (BILD) as well as representatives from SmartCentres. In between those workshops several correspondences, extensive exchange of detailed background data, and a meeting took place to discuss the technical aspects of the draft calculations. It is anticipated that ongoing correspondence, meetings and collaboration will continue until the release of the draft Background Study.

The Development Charges Act has mandatory communication requirements around advertising of at least one public meeting that will be scheduled once the consultative process with the development industry is nearing completion.

##### **Purpose**

The purpose of this report is to provide Council with an update regarding the review of the City's Development Charge By-law that is currently underway.

##### **Background - Analysis and Options**

As reported in the previous update to Finance & Administration Committee on May 14, 2012, the City of Vaughan's current Development Charge By-law #230-2008 expires on September 22, 2013. The by-law update began in late 2011 with draft calculations produced by mid-2012. These preliminary rates were shared with members of Finance & Administration Committee through the May 14, 2012 report. For the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2012 the City engaged in a consultative process with the development industry.

##### **City Wide Charges**

A City Wide development charge is calculated on the basis that new infrastructure emplaced city-wide benefits the growth that is occurring city-wide. For instance, one new park may be built in one area of the City, but it benefits the growth that is occurring city wide. The majority of capital costs are collected for on a city wide basis. City Wide charges include two types of services: General Services and Engineered Services.

##### **General Services**

Eligible general services (or soft services) include the following:

- General government – Studies
- Library Services
- Fire and Rescue Services
- Indoor Recreation
- Parks Development and Facilities
- Public works: Building and Fleet

Cost recovery for general services for the next 10 year period is limited to the average service level provided by the City for the previous 10 year period. In addition, all of the general services, with the exception of Fire and Rescue Services, can only be funded to a maximum of 90% from development charges.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

#### Item 4, Finance Report No. 3 – Page 3

##### ***Engineered Services***

Engineered Services are not subject to the same type of service level limitation or the 90% maximum funding limit as the General Services, unless there is a benefit to the existing community. The Engineered Services program includes planned projects out to the current planning horizon of 2031. Engineered Services (or hard services) under the City Wide charge recover the cost of roads and related infrastructure. These costs include recoveries for the following types of infrastructure:

- Road construction
- Road related studies
- Sidewalks and street lighting
- Urban design of roads
- Signalization

##### Special Area Charges (SACs)

SACs recover costs of infrastructure located in, and benefiting, a specific area. For instance, if a piece of infrastructure is constructed that is deemed to only benefit a specific geographic area (e.g. a sanitary sewer line that services only specific blocks of subdivisions) then this cost is more appropriately borne by only the growth in that area rather than by growth occurring city wide. SACs can vary significantly depending on the amount of benefiting land to share and the cost of the specific infrastructure. SACs are currently used to recover the following types of Engineered Services:

- Water mains
- Wastewater
- Select Storm Drainage Facilities

##### Proposed Transfers from SACs to City Wide Charges

It was noted on the May 14, 2012 report that a review was being undertaken as to what costs should remain as a SAC and which should be moved to the City Wide charge. City staff consulted with BILD on this matter, however the industry has not provided a unified position on this issue and it is anticipated that this will not occur before the end of the by-law review. Adding potential SAC infrastructure to the City Wide charge achieves two goals from the City's perspective:

1. It provides recognition to the fact that these pieces of infrastructure provide a city wide benefit, and
2. Administration of the by-law is simplified.

Based on the above, staff drafted tentative rates with the following works transferred from the potential SAC project list to the City Wide Charge included in the draft Background Study:

- Water mains
- Black Creek Works

These works can be justified as having a city wide benefit and therefore the cost of such infrastructure should be recovered through the growth occurring on a city wide basis. The Water mains referred to above include the city-wide network of water mains currently required to service growth until build out. In addition a portion of the total costs of the Black Creek Works are proposed to be included in the City wide charge.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

#### Item 4, Finance Report No. 3 – Page 4

Although BILD is not taking a position on this matter, staff have recently started to receive letters from a number of individual developers requesting a City-wide approach to engineered service costs that also includes sanitary sewers, sanitary pumping stations and force mains.

#### Draft Tentative City Wide Rates

Hemson Consulting Ltd was retained to prepare the updated Development Charge Background Study utilizing data provided by City departments, growth forecasts and projected capital programs. Initial preliminary costs and rates were developed and shared with the development industry and members of the Finance & Administration Committee in the May 14, 2012 report. Those estimates showed an approximate 100% increase in the rates. Inclusions and exclusions in the City Wide charge versus SACs were not addressed at that time.

Since the spring of 2012 several updates have occurred to the draft data that have had the effect of decreasing the “2012 Preliminary” rates to the currently calculated “2013 Tentative” rates. The three largest effects have been from the following:

1.      Reduction:      Proposed uploading of the King/Vaughan Side Road to the Region of York (\$180 million)
2.      Reduction:      Recognition that 50% of Kirby Road (\$71 million) should be removed from the horizon period for purposes of calculating the rates as it has a benefit to growth occurring after the horizon year (2031)
3.      Addition:        Water mains (\$87 million) and Black Creek Works (\$25 million) transferred from potential SACs to the City Wide Charge

The following tables show the current rates, draft tentative rates and the percentage increase for City Wide Charges on a Single Detached Home (per unit) and Non-Residential (per Sq.M.).

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013**

Item 4, Finance Report No. 3 – Page 5

***Draft Tentative Rates on a Single Detached Home (Per Unit)***

Service Category	Current Rate	Draft Tentative Rate	% Diff
General Government	\$ 308.44	\$ 318.68	3%
Library Services	\$ 768.62	\$ 969.62	26%
Fire and Rescue Service	\$ 337.30	\$ 620.04	84%
Indoor Recreation	\$ 3,836.50	\$ 4,798.50	25%
Park Development & Facilities	\$ 2,658.01	\$ 3,468.74	31%
Public Works: Buildings and Fleet	\$ 337.30	\$ 529.51	57%
<b>SUB-TOTAL GENERAL SERVICES</b>	<b>\$ 8,247.00</b>	<b>\$ 10,705.09</b>	<b>30%</b>
City Wide Roads and Related	\$ 4,380.00	\$ 9,776.66	123%
King Vaughan Road	\$ -	\$ -	
50% of Kirby Road	\$ -	\$ 1,507.05	
City Wide Water	\$ -	\$ 1,622.49	
Black Creek Works	\$ -	\$ 458.26	
<b>SUB-TOTAL ENGINEERING</b>	<b>\$ 4,380.00</b>	<b>\$ 13,364.46</b>	<b>205%</b>
<b>TOTAL CHARGE</b>	<b>\$ 12,627.00</b>	<b>\$ 24,069.55</b>	<b>91%</b>

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013**

Item 4, Finance Report No. 3 – Page 6

***Draft Tentative Rates on a Non-Residential Space (Per Sq.M.)***

Service Category	Current Rate	Draft Tentative Rate	% Diff
General Government	\$ 0.81	\$ 1.21	50%
Fire and Rescue Service	\$ 0.81	\$ 2.55	216%
Public Works: Buildings and Fleet	\$ 1.41	\$ 2.14	51%
<b>SUB-TOTAL GENERAL SERVICES</b>	<b>\$ 3.03</b>	<b>\$ 5.90</b>	<b>95%</b>
City Wide Roads and Related	\$ 17.16	\$ 36.02	110%
King Vaughan Road	\$ -	\$ -	
50% of Kirby Road	\$ -	\$ 5.97	
City Wide Water	\$ -	\$ 6.43	
Black Creek Works	\$ -	\$ 1.82	
<b>SUB-TOTAL ENGINEERING</b>	<b>\$ 17.16</b>	<b>\$ 50.24</b>	<b>193%</b>
<b>TOTAL CHARGE</b>	<b>\$ 20.19</b>	<b>\$ 56.14</b>	<b>178%</b>

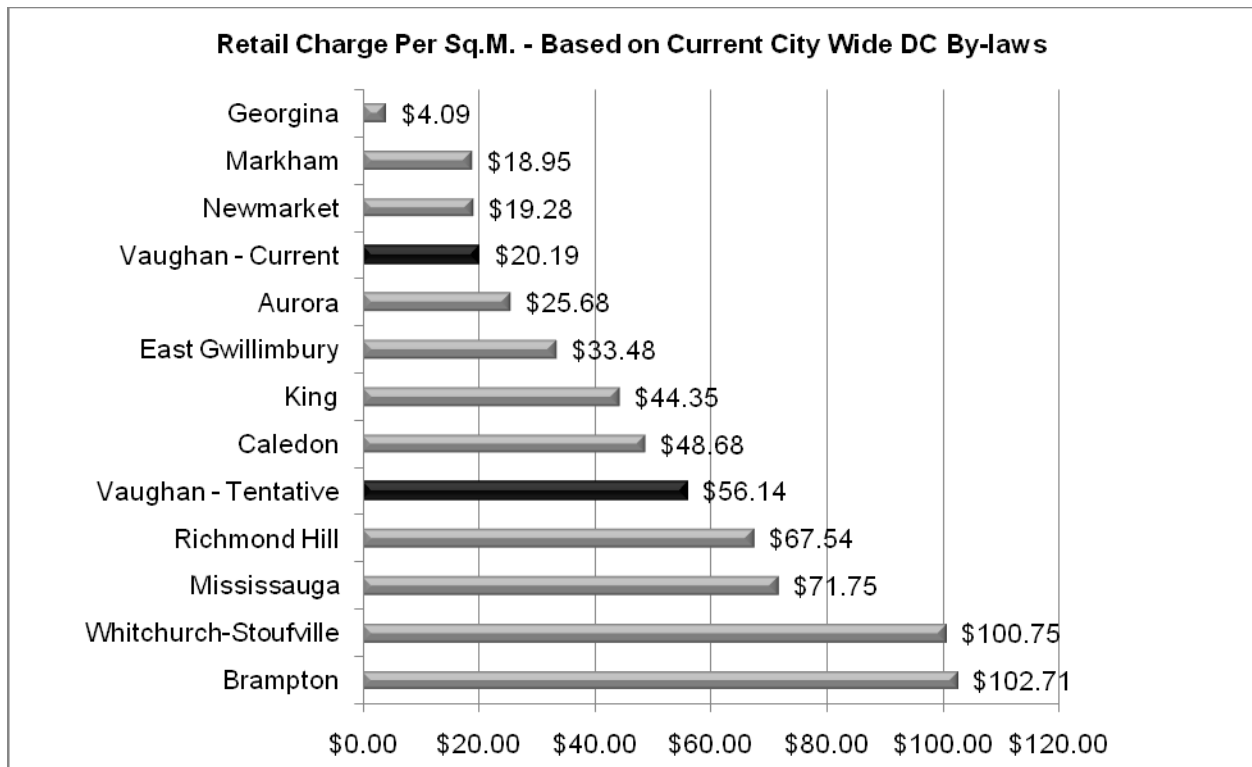
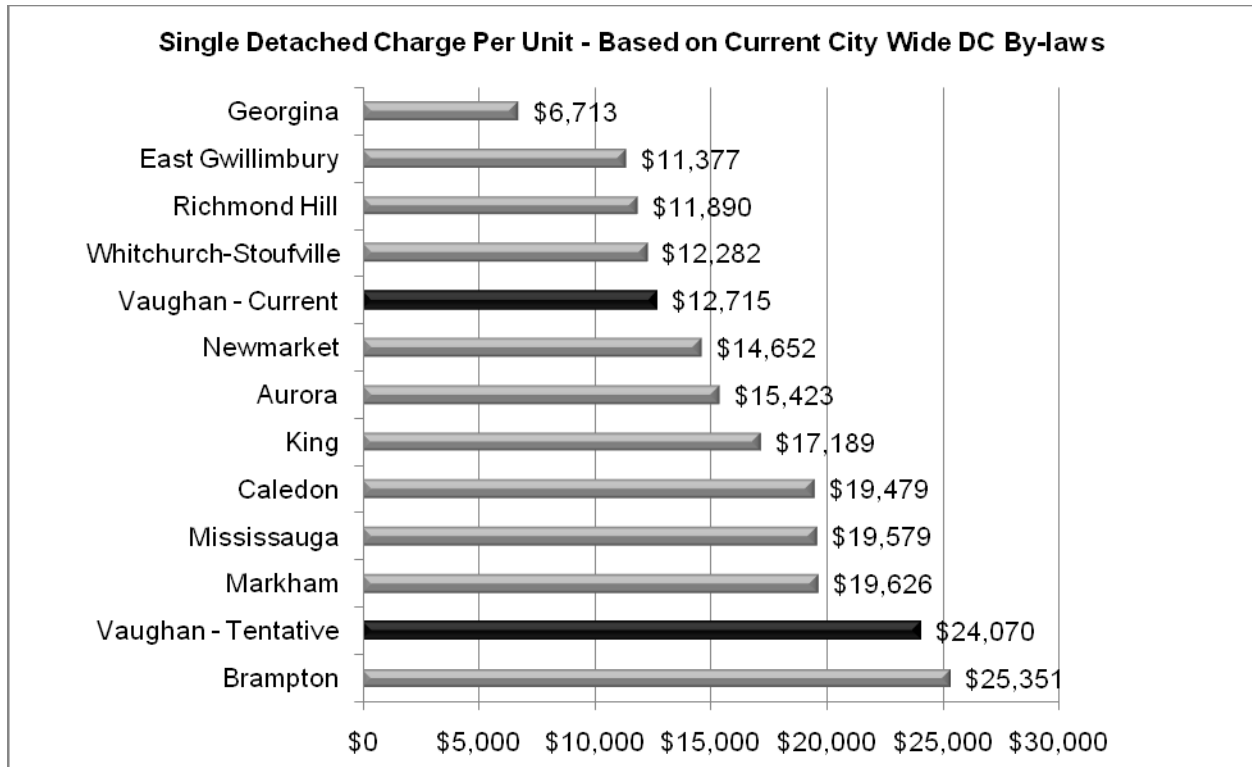
Comparisons to Other Municipalities

The following tables show the comparison between the City's current and tentative rates for Single Detached homes and Retail space as compared to municipalities in York and Peel regions. It should be noted that the majority of these municipalities are also undergoing development charge by-law reviews and their rates may be increasing. Furthermore, comparisons between municipalities within York do not include comparison provisions for area specific charges (SACs), nor does the comparison to Peel municipalities account for differences in upper/lower tier service division.

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013**

Item 4, Finance Report No. 3 – Page 7



## CITY OF VAUGHAN

### **EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013**

#### Item 4, Finance Report No. 3 – Page 8

##### Draft SAC Rates

Draft SAC rates are still in the process of being calculated by staff and will be available upon the release of the Background Study. The draft SAC rates will continue to include wastewater and select storm water management facilities. The existing SAC by-laws will be proposed to be renewed, with one of them being modified slightly. One new SAC will be proposed for a completed sanitary trunk, the details of which will be released with the draft Background Study. Other new SAC by-laws will be proposed as the infrastructure is completed over time. The details of this will also be included in the draft Background Study.

##### Policy Discussion

Several policy items are the topics of ongoing discussions with the development industry. Staff are working towards resolutions on many of these issues and will include recommendations for Council's consideration upon release of the Background Study. A brief description of some items is included below.

##### ***Engineering Services - "Benefit to Existing"***

A "Benefit to Existing" is a treatment within the development charge funding model that assigns a portion of the cost of new infrastructure to the existing population. The reason for this apportionment is to recognize that sometimes new infrastructure not only benefits the new population, but also the existing population. For instance, in the Fire and Rescue Services program there is an apportionment of the costs associated with the relocation of Station 7-3 as a "Benefit to Existing" in recognition of the fact that a large portion of the new station was already in service previously at the old location. This portion of the new building (on a square footage basis) is not funded through development charges, but rather is funded through taxation because it is not benefiting growth and is continuing to service the existing residents/businesses. The additional square footage, over and above the old station, is recovered through development charges as it is deemed to be servicing the new residents/businesses. This methodology is being illustrated only to show the theoretical cost allocation method and by no means is meant to represent the practical operations of the station.

The development industry has requested that the City consider giving "Benefit to Existing" recognition in its Engineered Services program. The City's practice in all previous by-laws has been to consider all new infrastructure within its Engineered Services program as benefiting only new population. Recognizing a "Benefit to Existing" has a financial impact as it would require the City to fund a portion of the Engineered Services program through a source other than that of Development Charges (e.g. the tax base). Some municipalities such as the Region of York generally recognize a 10% "Benefit to Existing" on their development charge roads program. If the City adopted this type of policy it could have up to a \$70 - \$100 million shift of cost to be recovered from the tax base, affecting the City's annual tax levy increases and impacting the pace of the Engineered Services capital program.

##### ***Roads Program – "Post Period Benefit"***

As mentioned earlier in this report, City staff are proposing to recognize a portion (50%) of Kirby Road as having a benefit beyond the 2031 horizon date of the draft Background Study, otherwise known as a "Post Period Benefit". The development industry purports that a greater proportion of the roads program could be considered "Post Period Benefit". The financial impact of making this recognition reduces City cash flow by deferring the recovery of those funds until future by-law periods, however the ability to collect for the infrastructure is not lost.



## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 4, Finance Report No. 3 – Page 9

#### ***Differentiated Apartment Rates***

Currently the City has one rate for apartments, regardless of the size of the unit. Several municipalities in the GTA (including York Region) provide a differentiated rate for large and small apartments. Some municipalities make this distinction based on the number of bedrooms and others by the square footage of the unit. City staff are generally in agreement with the industry that a differentiated rate is justified in that the average Persons Per Unit (PPU) differs between large and small apartments and therefore the charge should be different. This recognition also helps to promote density by creating a more equitable charge. There is no financial impact of introducing a differentiated rate as the costs are re-distributed proportionally between large and small apartments based on the average PPUs for each type of unit. City staff and the development industry are having ongoing discussions about the criteria of what constitutes a large versus a small apartment (e.g. square footage thresholds).

#### ***Non-Residential / High Density Residential Mixed Use Rate***

The development industry has requested that the City consider a differentiated rate for the non-residential portion of a mixed use development (non-residential / high density residential). Currently, the City of Markham provides this differentiated rate. The development industry purports that the lower rate for the non-residential portion of mixed use developments would help to promote the type of urbanized higher density environment that the City seeks to promote, such as the developments in the Vaughan Metropolitan Centre. City staff tend to agree with the premise, however more research on the topic is required and any potential financial impacts are yet to be determined.

#### ***Office Rate***

The development industry has requested that the City consider a discounted rate for office development. City staff will continue discussions, however funding discounts of this nature through higher development charges for other types of development is specifically prohibited by the Development Charges Act. This means that any discount provided would require funding from a source other than development charges (e.g. tax base). City staff believe that any such discount program may be more appropriately considered under an economic development context and not through the development charge by-law(s). It should be noted that the Region of York does not currently provide a differentiated rate for office development and their charge currently comprises 89% of the total development charge on this type of development. The table below shows the current rate structure and the tentative rate structure (without a discounted City charge for office).

	<b>Current Rate (Per Sq.M.)</b>	<b>Tentative Rate (Per Sq.M.)</b>
City of Vaughan	\$20.19	\$56.14
Region of York	\$207.29	\$207.29
Boards of Education (Combined)	\$5.60	\$5.60
<b>Total</b>	<b>\$233.08</b>	<b>\$269.03</b>

#### ***Credits for Sustainable “Green” Development***

The development industry has requested that the City consider providing discounts or credits for developing buildings that have sustainable/green features (e.g. LEED certification, water cisterns, solar power, etc.). Staff certainly support such types of development, however in much the same

## CITY OF VAUGHAN

### **EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013**

#### **Item 4, Finance Report No. 3 – Page 10**

way as an office discount, any program of this nature would require funding from another source (e.g. tax base) and may belong in an environmental sustainability program rather than the development charge by-law(s).

#### ***Transition / Phase-in Measures***

The development industry has requested that the City provide a phase-in or transition on the proposed rate increase. City staff are giving this issue due consideration before providing Council with any recommendations. A straight forward phase-in of the rate (e.g. 25% of the increase every 6 months or similar treatment) may have a financial impact. For any revenue foregone during the phase-in period the City may be required to fund this through a source other than development charges (e.g. tax base). City staff have been considering another approach that is allowed under the Development Charges Act. Separating the City Wide charges in to individual by-laws would allow the City to stagger their effective dates. Under this model the charges might be separated in to the following by-laws: General Services, City Wide Roads & Related, Kirby Road, Water mains and Black Creek Works. All the by-laws would be enacted at the same time, however their effective dates would be staggered over a range of time (e.g. 3 months, 6 months and 9 months) to smooth the impact of the overall increase on the development industry. Other transition measures are also being considered by staff and further recommendations will be provided with the release of the Background Study.

#### **Process Going Forward**

City staff will continue to meet and consult with the development industry regarding technical issues, the draft tentative rates and policy issues. The anticipated milestone dates leading up to the new by-law enactment are as follows:

Release of Draft Background Study & Report	March 4, 2013	F&A Committee
Public Statutory Meeting	Early April 2013	TBD
Final Report on DC By-law Review	May 6, 2013	F&A Committee
By-law Passage & Enactment	May 14, 2013	City Council

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

Not applicable

#### **Regional Implications**

The City placed a formal request to the Region to assume responsibility for the construction of the King/Vaughan Side Road, Kirby Road and portions of Pine Valley Drive. The Region has accepted responsibility for King/Vaughan Side Road based on some conditions and will continue to consider Kirby Road and Pine Valley Drive after environmental assessments have been completed. City staff will continue to work with the Region towards this transfer within the respective capital programs.

#### **Conclusion**

The draft tentative rate for a Single Detached Home is increasing by 91% and the tentative rate for non-residential space is increasing by 178%. Consultation with the development industry is ongoing and several policy issues are being considered in further depth to ensure that Council is presented with a revised by-law that is fiscally responsible, protects existing taxpayers and responds to the evolving environment surrounding the development industry. It is currently anticipated that the release of the draft DC Background Study and the public statutory meeting will occur in March and April respectively, with new by-law(s) in place by May.

#### **Attachments**

Not applicable.