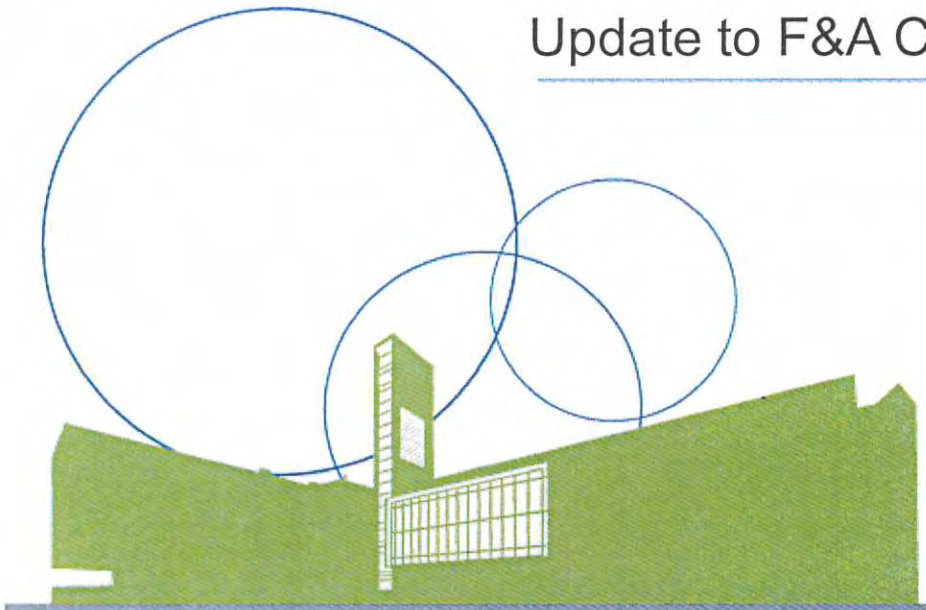
2013 DEVELOPMENT CHARGE REVIEW

Update to F&A Committee – April 15, 2013



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COMMUNICATION
F&A - APRIL 15/13
ITEM - 1

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Presentation Overview

1. Development Charge (DC) Review Process
2. Contributors to the DC Process
3. Growth Forecast
4. Growth Related Capital Program
5. City Wide Development Charge Summary
6. Municipal Comparisons of City Wide Charge
7. Area Specific Development Charges
8. Minor Policy Issues
9. Economic Impact of Increase
10. Transition Measures
11. Next Steps

1. DC Review Process

New by-laws are proposed to be in effect on September 22, 2013

2. Contributors to the DC Process

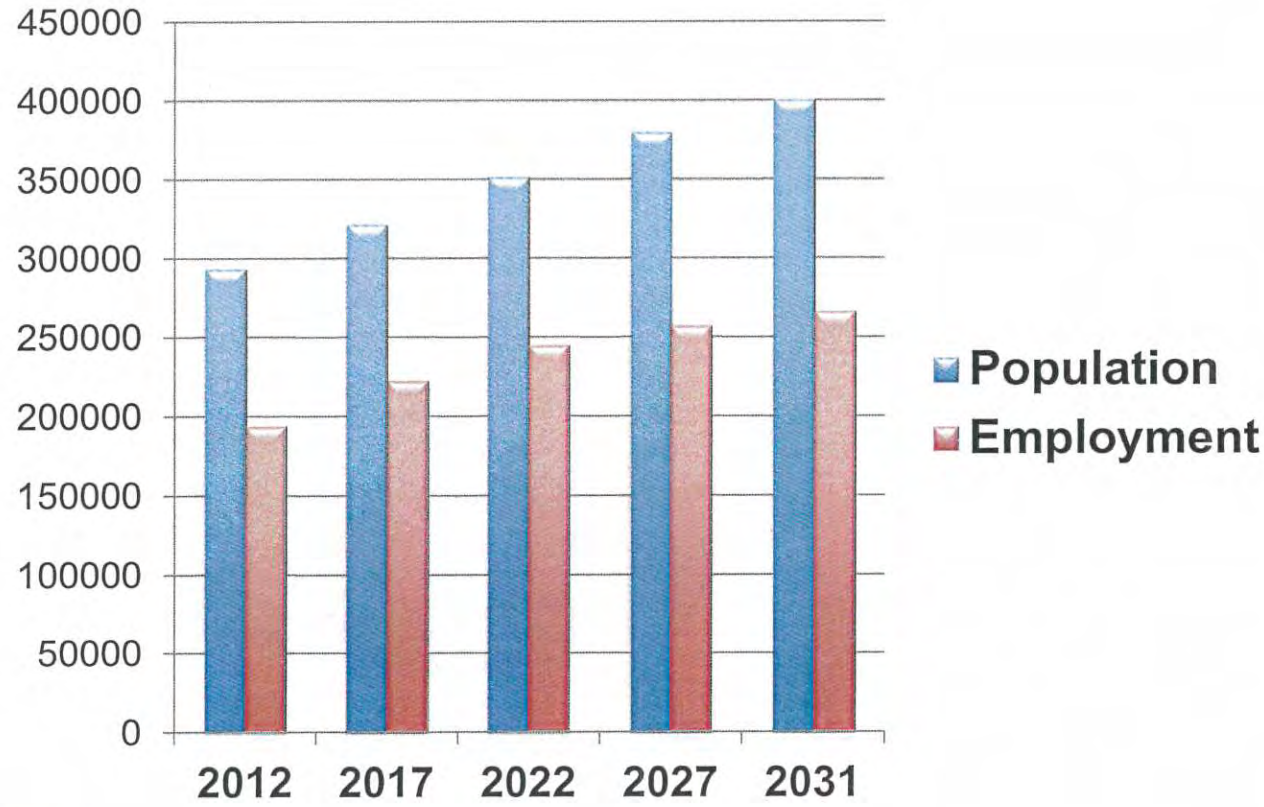
Internal/External Stakeholders and Consultant advice considered

- Development Industry (Represented by BILD)
- Individual Developers
- Vaughan Public Library Staff
- City of Vaughan Departmental Staff
- Hemson Consulting Ltd. (DC Study)
- Fabian Papa & Partners (TMP Study)

3. Growth Forecast

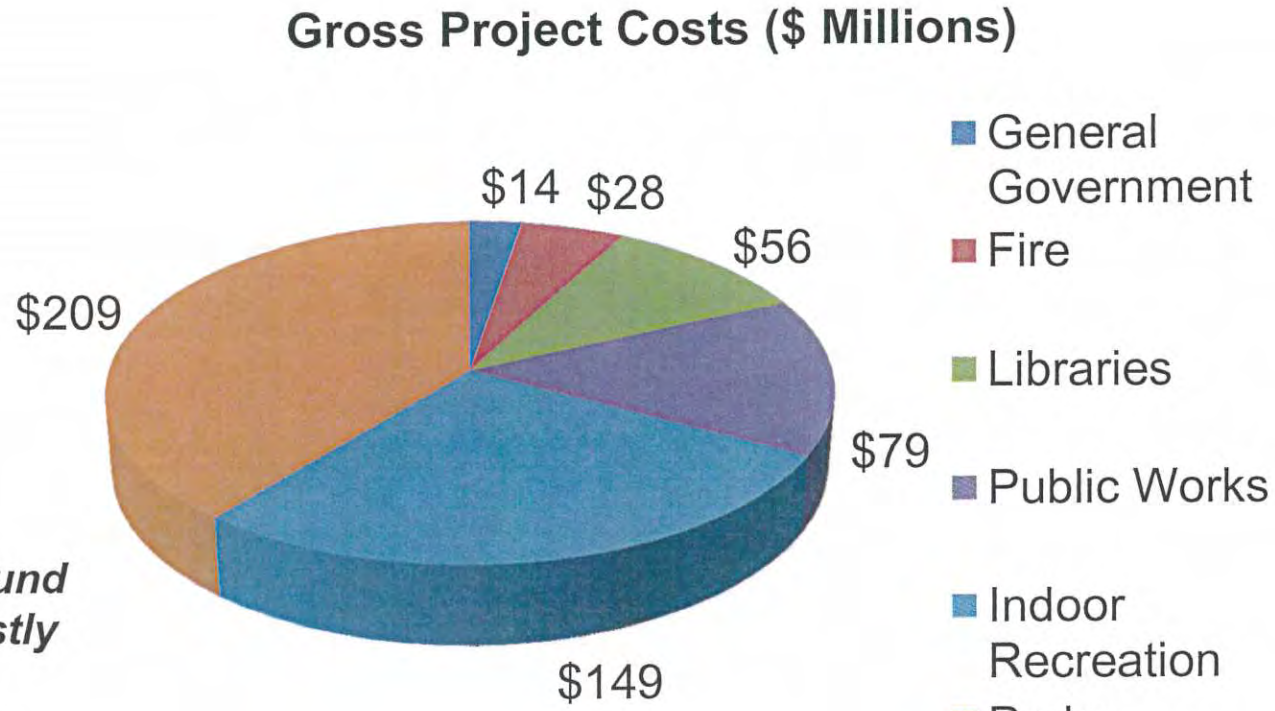
Growth assumptions used in draft Background Study

- Population to grow by 113,000 to 2031
- Employment to grow by 78,000 to 2031



4. Growth Related Capital Program

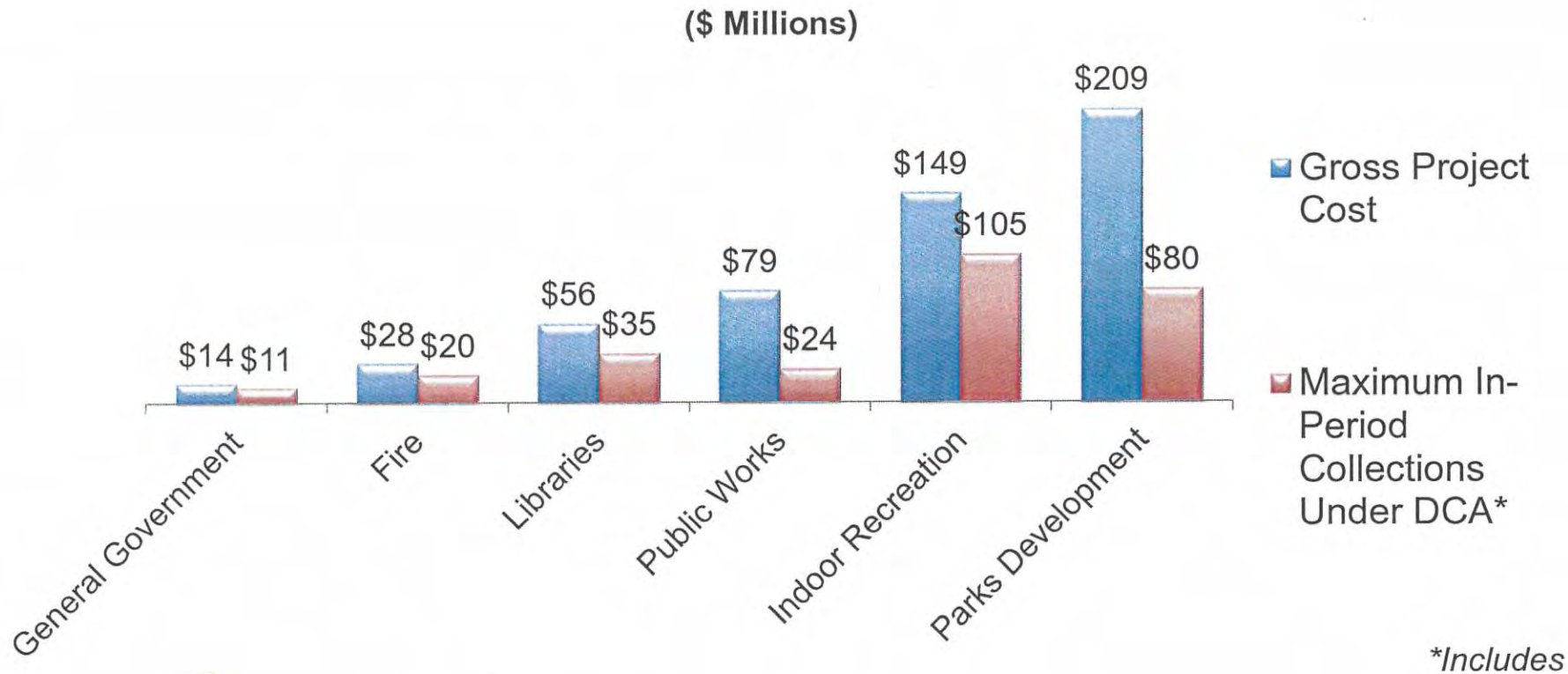
$535M Ten Year Soft Services Program (2012* – 2021)



**The draft Background Study is based mostly on data as of December 31, 2011*

4. Growth Related Capital Program

Soft Service Program Costs Vs. Allowable Collections under DCA



*Includes opening reserve balances

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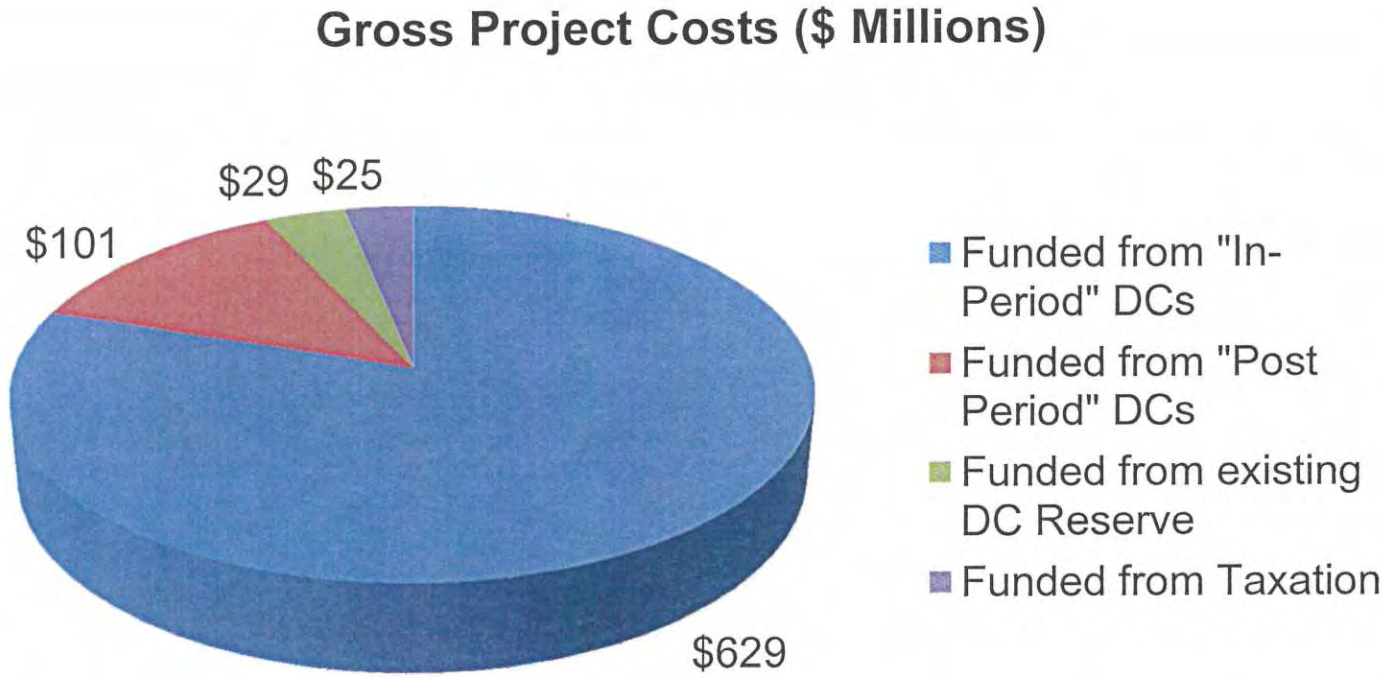
4. Growth Related Capital Program

$784M Engineered Services (Roads & Water) Program to 2031



5. City Wide DC Rate Summary - Residential

Service	2013 Proposed DC Per Unit	2008 DC Per Unit (Indexed to January 1, 2013)	% Change
General Government	$321	$310	3%
Library Services	$956	$774	24%
Fire & Rescue Services	$617	$339	82%
Indoor Recreation	$4,553	$3,865	18%
Park Development & Facilities	$3,468	$2,676	30%
Public Works: Buildings & Fleet	$512	$340	50%
Sub-Total General Services	**$10,427**	**$8,305**	**26%**
City Wide Engineering	**$12,276**	**$4,410**	**178%**
Total City Wide Charge – Single/Semi	**$22,703**	**$12,715**	**79%**
Other Unit Types			
Total Charge - Rows	$19,335	$10,763	80%
Total Charge – Large Apartments	$13,909	$7,548	84%
Total Charge – Small Apartments	$9,979	$7,548	32%

5. City Wide DC Rate Summary – Non-Residential

Service	2013 Proposed DC Per Sq.M.	2008 DC Per Sq.M. (Indexed to January 1, 2013)	% Change
General Government	$1.22	$0.78	56%
Library Services	$0.00	$0.00	0%
Fire & Rescue Services	$2.54	$0.91	179%
Indoor Recreation	$0.00	$0.00	0%
Park Development & Facilities	$0.00	$0.00	0%
Public Works: Buildings & Fleet	$2.07	$1.39	49%
Sub-Total General Services	**$5.83**	**$3.08**	**89%**
City Wide Engineering	**$46.32**	**$17.25**	**169%**
Total City Wide Charge – Non-Residential	**$52.15**	**$20.33**	**157%**
Specific Type			
High Density Mixed Use	$44.79	$20.33	120%

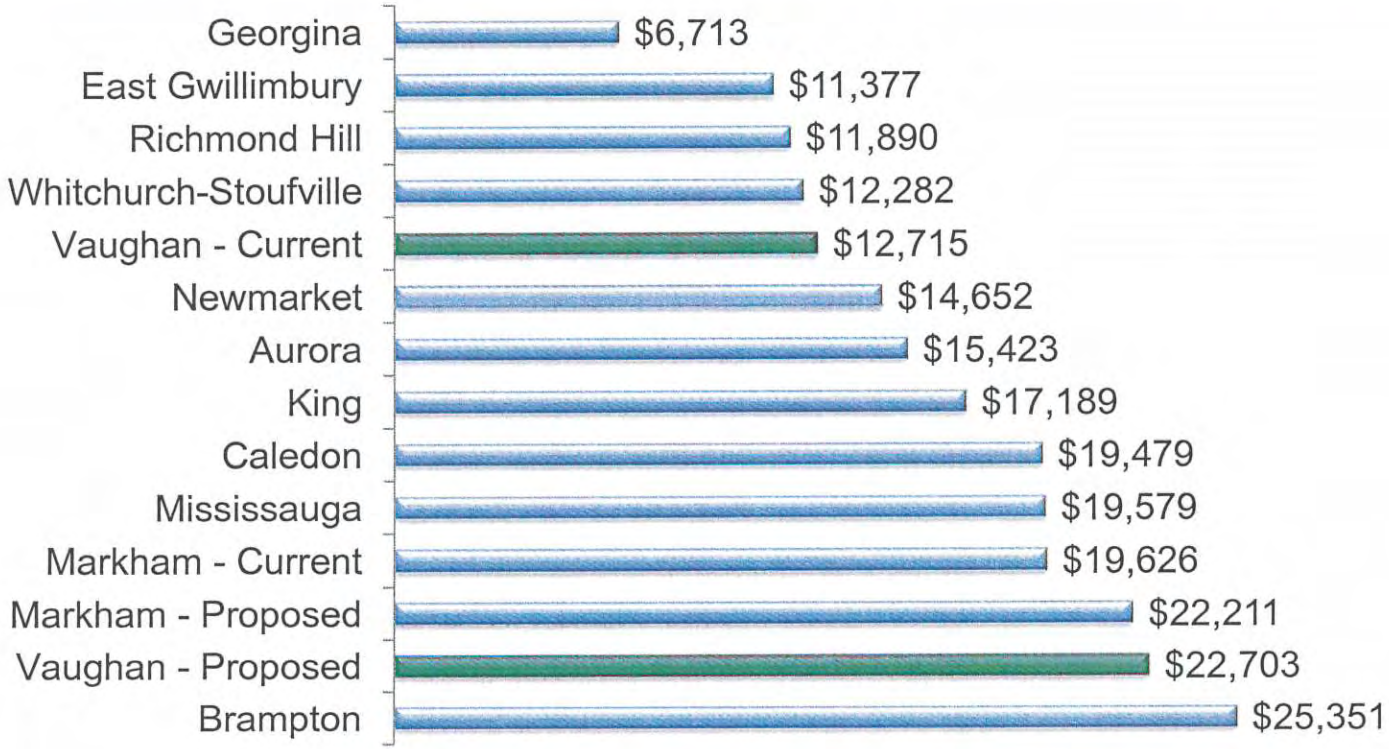
6. Municipal Comparisons of City Wide Charge

Municipal Comparisons are not always "apples to apples"

- Most lower tier municipalities are going through a Development Charge By-law review this year or next so comparisons are to their existing rates … most municipal rates are expected to increase
- Area Specific Development Charges (SACs) are not included in the comparisons … only City Wide Charges are compared
- Comparisons between municipalities located in different regions (York vs. Peel) do not account for differences in service division (e.g. York provides Transit, Peel does not).

6. Municipal Comparisons

Single Detached Charge Per Unit - Based on Current City Wide DC By-laws



6. Municipal Comparisons

Retail Charge Per Sq.M. - Based on Current City Wide DC By-laws

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7. Special Area Development Charges (SACs)

Charges are based on specific costs and specific benefiting areas

- One (1) modification to an existing SAC (Zenway/Fogal Sanitary Sub-Trunk) and two (2) new SACs (Huntington Road Sewer – from Tradevalley to Rutherford and Black Creek and Related VMC SWM Works) have been proposed with the release of the Background Study
- All other existing SACs are proposed to continue (with the exception of Ansley Grove Sanitary Sub-Trunk, which has been closed out)
- All future SACs will be enacted upon completion of the infrastructure over the 5 year by-law period
- Council will be required to pass a new SAC By-law every time potential SAC infrastructure is completed to the satisfaction of the City, but the process for these SAC enactments is expected to be less onerous than the full by-law review process

7. Special Area Development Charges (SACs)

New Black Creek and Related VMC SWM Works SAC

- Four projects for which costs require recovery:

▪ Jane/7 SWMP retrofit	$6.9M
▪ Black Creek flood improvement works	$21.7M
▪ Black Creek land acquisitions	$14.7M
▪ Black Creek erosion improvement works	$0.9M
	$44.2M

- 6 Geographic areas have been identified within the VMC area that will pay in different proportions to each of these 4 projects based on the relative benefit they receive from the infrastructure
- The charges range from $3,471 to $3,605,417 per hectare
- The high end of the charge largely represents Black Creek land acquisition charges attributed to Sub-Area 3, who will receive reclaimed developable lands as a result of the channel works

8. Minor Policy Issues

Actions on several minor policy issues have been proposed

- Differentiated rates for Small and Large Apartments – Recommended
- Exemption for above grade non-commercial parking structures – Recommended
- Differentiated rate for High Density Mixed Use (Non-Residential space) in one building – Recommended
- Discount for Office Development – Recommended to be investigated in an Economic Development context and separate from DC by-laws

9. Economic Impact of Increase

A large one-time increase may have a short term adverse effect

- A full 79% increase on residential and 157% increase on non-residential DCs may adversely effect the development environment
- New homeowners and potential tenants (in non-residential) will be heavily impacted
- Many developers have commitments based on existing rate structure
- The development industry currently, among other things, contributes to the Vaughan economy in the following ways:
  - Construction job creation
  - Development of non-residential space, which serves to create jobs
  - Purchase of local services/materials

10. Transition Measures

Measures have been proposed to mitigate impact of large increase

- Effective date of By-laws
- Phase-in of proposed rate increase
- Approximate 2 year freeze on Engineering "top-ups"
- Pre-payment agreements for developments meetings specific criteria

10. Transition Measures

Effective date is proposed for September 21, 2013 vs. May 14, 2013

May 14, 2013
- New By-law Passed

September 21, 2013
- New By-law Effective

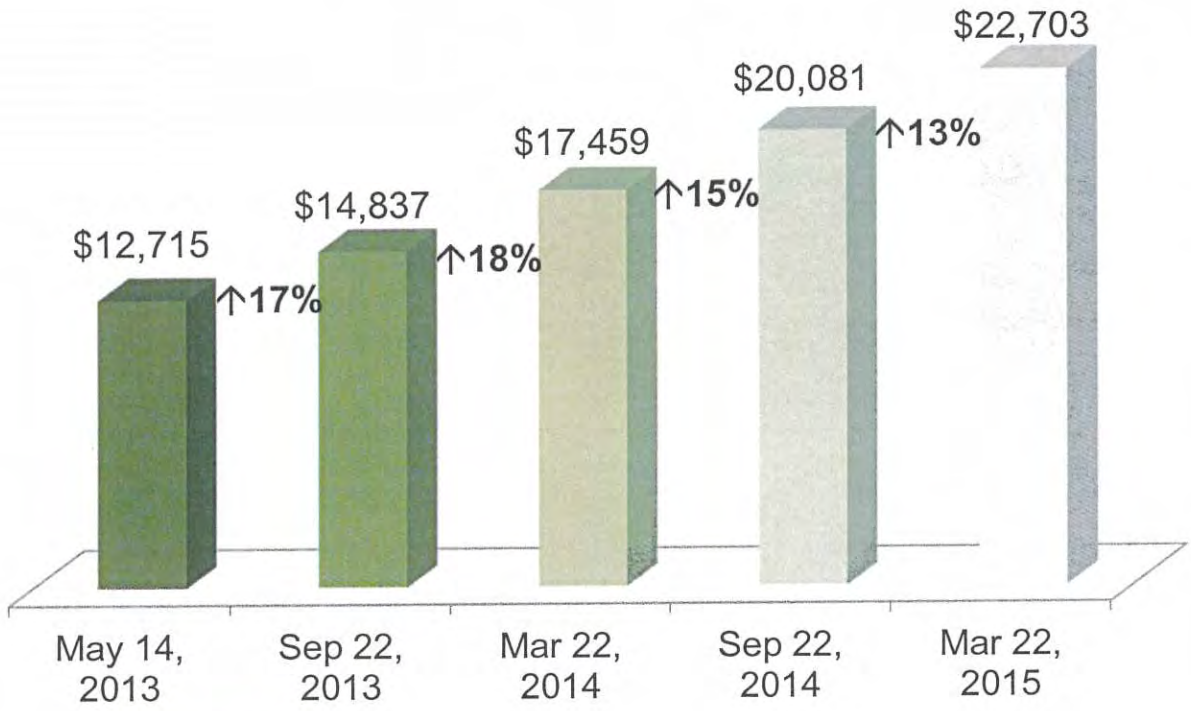
November 1, 2013
- Current By-law Expiry Date

September 21, 2018
- New By-law Expires

10. Transition Measures

Rate increase is proposed to be phased-in to March 2015

Residential (Single/Semi Charge Per Unit)



Note: % Increases shown are compounded

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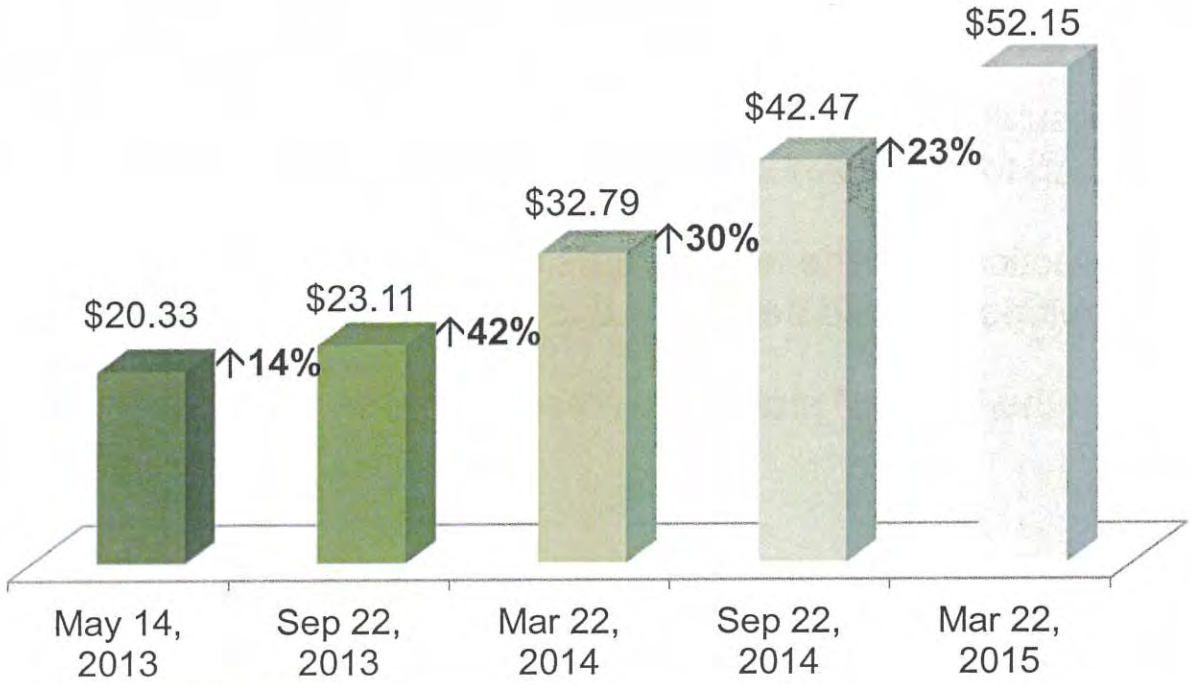
10. Transition Measures

Rate increase is proposed to be phased-in to March 2015

Non-Residential Charge (Per Sq.M.)



Note: % Increases shown are compounded

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10. Transition Measures

Engineering "top-ups" are proposed to be frozen for 2 years

- Currently the City collects Engineering DCs at Registration for subdivision and then collects a "top-up" to the current rate on the Building Permit issuance date
- These "top-ups" usually amount to a 0.5% to 2.0% increase on previously collected DCs (corresponding to the DC index over the 6 months prior)
- Continuing this practice over the next 2 years would serve to negate the phase-in measures as developers would be required to "top-up" to new rates
- It is proposed that the "top-up" practice be resumed upon the last phase-in (March 22, 2015)

10. Transition Measures

Pre-payment agreements are proposed to mitigate impact

- Similar to a measure provided through the York Region's recent DC update, staff are proposing pre-payment agreements to ensure developments that are in or near "the pipe" are not adversely impacted by the large increase
- General milestones of the process are as follows:

▪ August 20, 2013	Letter of intent to pre-pay is received by City
▪ Appr. 30 Days thereafter	Agreement is executed and DCs are pre-paid as applicable
▪ September 20, 2013	Submit complete Site Plan Application (if applicable)
▪ June 22, 2014	Registration or Site Plan Agreement/Undertaking is achieved
▪ September 20, 2014	Building Permit is issued (if by Site Plan)

- An additional measure has been proposed for high density developments (similar to York Region's treatment), whereby only 25% of the prepayment is necessary and the other 75% of DCs will be paid 18 months after Building Permit issuance (secured through letter of credit in the interim)

10. Transition Measures

Transition measures result in foregone revenue

- The DC Act prohibits revenues foregone due to phase-ins from being collected in future by-law periods
- The DC Act does, however, allow municipalities to enter in to pre-payment agreements; and revenue foregone as a result of these agreements can be collected in future by-law periods
- Forecasts are difficult to estimate, but it is expected that a large amount of DCs will be pre-paid under agreement and therefore this will work to mitigate against the effect of phase-ins
- The net effect is estimated (at a very high level) to be between $8 and $10 million
- This amount would require an eventual reduction in the capital program or be funded by another source

11. Next Steps

Council is scheduled to pass the new by-laws on May 14, 2013

Public Statutory Meeting	April 23, 2013	Special Meeting of Council
Final Report on DC By-law Review	May 6, 2013	F&A Committee
By-law Passage & Enactment	May 14, 2013	City Council
Appeal Period End Date	June 23, 2013	
New By-laws Effective Date	September 21, 2013	

Thank-you & Questions?