

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 11, 2018

Item 1, Report No. 4, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on April 11, 2018.

1 2018 CITY-WIDE AND AREA SPECIFIC DEVELOPMENT CHARGE BACKGROUND STUDY AND BY-LAWS REVIEW HIGHLIGHT REPORT

The Finance, Administration and Audit Committee recommends:

- 1) That the following report and recommendations of the Chief Financial Officer and City Treasurer, dated April 3, 2018, be referred to the Finance, Administration and Audit Committee meeting of May 7, 2018, for consideration;
- 2) That the presentation and Communication C4, presentation material entitled, *"City of Vaughan Development Charges Study Finance, Administration and Audit Committee Public Meeting"*, be received;
- 3) That confidential Communication C1, memorandum from the City Solicitor and the Chief Financial Officer and City Treasurer, dated April 3, 2018, be received and referred to the Committee of the Whole (Closed Session) meeting of April 3, 2018 for the purpose of receiving legal advice;
- 4) That the deputation of Mr. Ian Andres, Goodmans, LLP, Bay Street, Toronto, on behalf of Smart Centres, be received; and
- 5) That the following Communications be received:
 - C2. Mr. Jay Claggett, IBI Group, St. Clair Avenue West, Toronto, dated April 2, 2018; and
 - C3. Mr. Matthew A. Di Vona, Di Vona Law, Bloor Street West, Toronto, dated April 2, 2018.

Purpose

The purpose of this report is to present the 2018 City-wide and Area Specific Development Charges Background Study and By-Laws and to seek feedback from Council, the general public, and the development industry.

Recommendations

1. That the following report, presentation and confidential memo (provided under separate cover) be received;
2. That the 2018 Development Charges Background Study, subject to input from the public statutory meeting, and appropriate by-laws incorporating the development charge rates in:

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3. Attachment 1: City Wide Residential and Non-Residential Development Charges
Attachment 2: Area Specific Development Charges

Be forwarded to the Finance, Administration and Audit Committee meeting of May 7, 2018 for adoption;

4. That the 10-year growth-related capital forecast for general services and the growth-related capital forecast to 2031 for engineered services, included in the Background Study, subject to maintenance of service levels, the availability of funding, Council policies and input from the Statutory Public Meeting, be forwarded to the Finance, Administration and Audit Committee meeting on May 7, 2018 for endorsement;
5. That the proposed transition measures as outlined in this report and subject to input from the Statutory Public Meeting, be forwarded to the Finance, Administration and Audit Committee meeting on May 7, 2018 for endorsement; and
6. That the input from the public at the Statutory Public Meeting of April 3, 2018, be received

Report Highlights

- This report provides a high-level overview of pertinent aspects of the 2018 DC Background Study and By-Law Update.
- To fund the capital forecasts outlined in the Background Study, the single and semi-detached residential rates would increase by 97% and the Non-Residential Rate would increase by 151%.
- These rate increases are a result several factors including the high cost of land in Vaughan and inflationary increases in hard service construction costs.

Background

The purpose of this report is to highlight for Members of Council pertinent aspects of the DC by-law review and staff's associated proposals to be brought forward at Finance, Administration and Audit Committee on May 7, 2018, subject to input received and incorporated from the public statutory meeting. The report is divided into the following sub-sections:

Section A – Chronology of By-law Review

Section B – Summary of Growth Forecast

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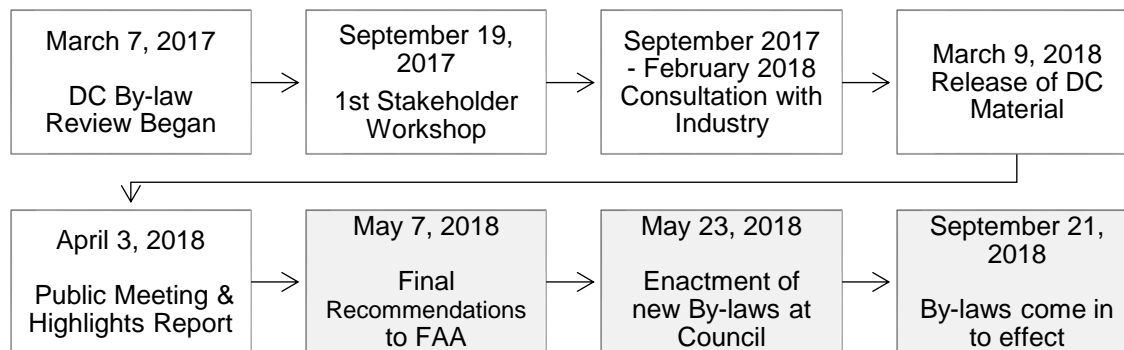
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Section C – Summary of Historic Service Levels
Section D – Summary of City Wide Growth-Related Capital Program
Section E – Proposed City-Wide DC Rates
Section F – Proposed Special Area Charge DC Rates
Section G – Minor Policy Issues and Proposed Revisions to the By-laws
Section H – Local Service Policy
Section I – Proposed Transition Measures
Section J – Proposed Review of DC Rate Methodology
Section K – Next Steps

Section A – Chronology of By-Law Review

Figure 1 below depicts some of the major by-law review process milestones since March 2017. The boxes shaded in grey are subject to Council approval.

Figure 1: Flowchart of DC By-law Review Process



Communications

Statutory Communication Requirements

The Development Charges Act (DCA) has mandatory communication requirements around advertising of at least one public meeting. The Clerk is mandated to carry out such advertising at least 20 days in advance of the meeting date. The Public Statutory Meeting has been scheduled to run concurrent to the FAA meeting on April 3, 2018 and was advertised in the Vaughan Citizen and the Thornhill Liberal on March 15, 2018. Furthermore, advertising of the meeting as well as pertinent information to the by-law review was also posted to the City's website on March 9, 2018.

Subsequent to Council approval of the DC Background Study and the DC by-laws, appropriate notices will be advertised as prescribed by the DCA.

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Stakeholder Communications

A total of seven (7) workshops and two (2) technical meetings have taken place with the development industry:

1. Workshop #1 – September 19th, 2017
2. Workshop #2 – October 23rd, 2017
3. Workshop #3 – December 5th, 2017
4. Workshop #4 – December 12th, 2017
5. Workshop #5 – January 15th, 2018
6. Technical Meeting #1 – January 29th, 2018
7. Technical Meeting #2 – February 1st, 2018
8. Workshop #6 – February 6th, 2018
9. Workshop #7 – February 22th, 2018

The workshops included members of a Sub-Committee of the Building Industry and Land Development Association (BILD) constituted for the purpose. In between these workshops, the parties exchanged detailed supporting background information and several clarification memos on a without prejudice basis. Additionally, two technical meetings took place to discuss the technical aspects of the draft calculations. It is anticipated that ongoing correspondence, meetings and collaboration will continue until the finalization of the new by-laws.

On March 8, 2018, the City received a letter from BILD (Attachment 3) stating that if all proposals as generally outlined in this report are adopted then they do not intend to appeal the City-Wide DC by-law to the Local Planning Appeal Tribunal. This does not, however, preclude any individual member or non-member from appealing, nor does it preclude Council from assuming a different position than what is proposed by staff through this report.

Stakeholder engagement on the Area Specific Development Charges (ASDCs) with affected landowners is ongoing and is also expected to conclude before the enactment of the by-laws scheduled for May 23, 2018.

Analysis and Options

Section B – Summary of Growth Forecast

A growth forecast for both the ten-year period from 2018 – 2027 and ultimate development (2031 for the purpose of this study) was completed by Hemson Consulting Ltd. The 2031 targets are consistent with the Region's DC Study.

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In February 2015, the Province initiated a comprehensive review of all growth plans. As a part of this review the Province proposed changes to the Growth Plan including a change to the minimum residential intensification target from 45 percent to 60 percent of all new growth to be located in the existing built-up area and a minimum Designated Greenfield Area (DGA) density target increase from 50 to 80 residents and jobs per hectare. As these proposed changes need to first flow through the Municipal Comprehensive Review (MCR) at the Regional level before City Staff can complete the Official Plan (OP) update, it was determined that maintaining alignment with the Region's Background Study was the best approach for this study. It is anticipated that this study will be updated again in less than the 5-year requirement once work has progressed with the MCR and OP updates.

Some key highlights of Hemson's findings are as follows:

- Estimates place the City's net population growth* at 67,000 people by 2027 and about 102,000 to 2031.
- Population growth in new housing units is expected to add 71,000 people by 2027 and about 104,000 to 2031.
- The City's employment is forecasted to grow by approximately 42,000 employees by 2027 and 56,000 to 2031.
- This employment growth is projected to generate about 2.8 million square meters of new non-residential building space by 2027 and 3.6 million square meters to 2031.

**The increased need for service required to service the anticipated development is based on the "net" population and employment growth in the City. This is the increase after taking into account the expected continuation of the decline in occupancy factors in existing housing units.*

Residential Housing Mix

Figure 2 below compares the breakdown of housing unit mix in 2017 and those forecasted by 2027 and 2031.

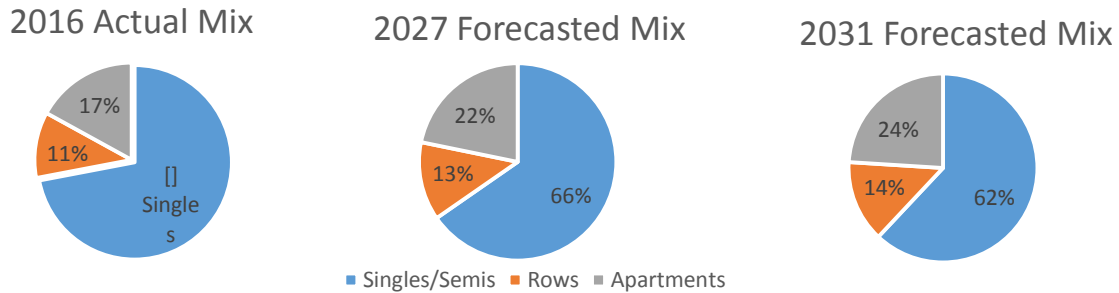
The charts below illustrate that it is anticipated that over this study period there will be a decline in single and semi-detached homes and an increase in rows and apartments. This is due to the shift that is occurring to smaller unit sizes due to intensification. After the Region and City complete their MCR and OP updates, it is anticipated that this shift in unit types will be even more pronounced in the next DC Study Update due to the increase in intensification targets that has been identified in the Provinces Growth Plan Update.

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Figure 2: Changing Residential Housing Mix

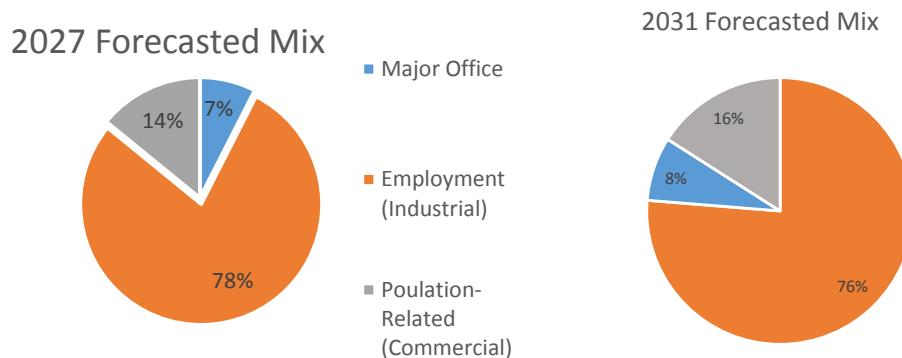


Non-Residential Type Mix

Figure 3 depicts the non-residential type mix which is forecasted to remain relatively stable until ultimate development.

The non-residential space forecast is based on the forecast of employment, since most new non-residential space is required to support new employment growth. The major share of space that is forecasted to be added over the next 14 years to 2031 is anticipated to be in the employment lands category, but a slight shift is seen across the period to Major Office and Population related employment (such as retail and institutional).

Figure 3: Average Stable Non-Residential Type Growth



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Section C – Summary of Historic Service Levels

The Development Charges Act, 1997 (DCA) requires that the DCs be set at a level no higher than the average service level provided in the municipality over the 10-year period immediately preceding the preparation of the background study, on a service by service basis. The service levels for the general (non-engineering related) services are typically measured as a ratio of inputs per capita (or per population plus employment). With engineered services such as roads, engineering and legislated environmental and health standards are used in lieu of inputs per capita.

Figure 4 below shows a table of the non-engineering related service levels measured in the current Background Study and compares them to those measured in the 2013 study. In all categories service levels have increased except for waste diversion which was added as a new DC recoverable service as a part of the Bill 73 update to the DCA.

Figure 4: Comparison of 2013 vs. 2017 Service Levels

Service	Average Service Level (2002 – 2011)	Average Service Level (2008 – 2017)	Indicator Type
General Government	N/A	N/A	
Library Services	\$316.54	\$431.33	\$/Capita
Fire & Rescue Services	\$170.67	\$279.95	\$/ (pop + Empl)
Community Services	\$2,605.95	\$4,038.72	\$/Capita
Public Works: Buildings & Roads Fleet	\$140.78	\$248.48	\$/ (pop + Empl)
City-Wide Engineering	N/A	\$11,312.15	\$/ (pop + Empl)

Section D – Summary of City-Wide Growth-Related Capital Program

The DCA requires that Council express its intent to provide future capital facilities at the level incorporated in the development charges calculation. The growth-related capital forecast was developed through collaboration between the service Departments, staff of the Library Board and Finance staff. The growth-related capital forecast is aligned to the strategic direction of the City, as represented by the City's various master plans. The costing of the forecast is as of December 2017, the time at which service levels were measured. The costing was further adjusted to align with the 2018 budget process. Patterns of cash flows in the Background Study are also aligned with published

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master plans. It should be acknowledged that changes to timing of the forecast presented in the Background Study may occur through the City's normal capital budget process.

General Services

Figure 5 presents a summary of the growth-related capital programs related to the general services. As demonstrated in the graph, only a portion of the gross cost of \$720.5 million may be recovered through DCs collected over the next 10-year period (inclusive of reserve balances as of December 31, 2011). The remainder of the gross cost is attributable as follows:

- 10% Co-funding (tax-based funding) - \$59.1 million
- Benefit to Existing (tax-based funding) - \$18.4 million
- Post Period Benefit Allocation (future DC funding) - \$135.5 million

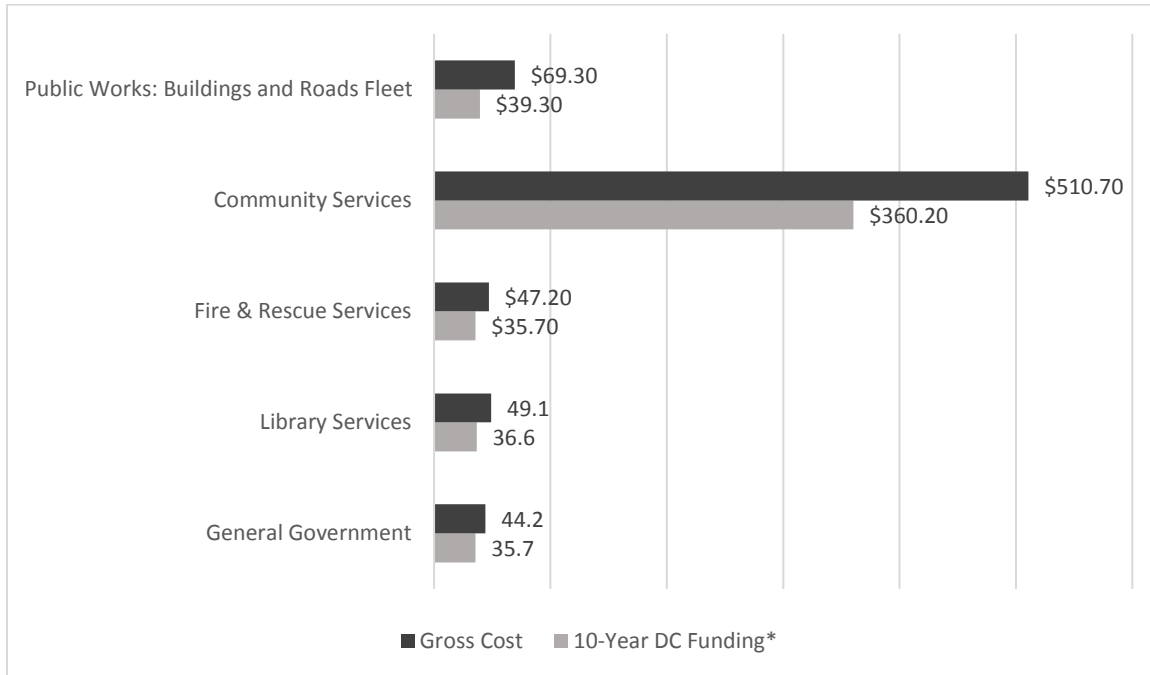
For general services, the post period benefit allocation is automatically calculated by limiting the 10-year period DC funding to the average service level over the last 10 years as per the DCA. Any funding required over and above that level is automatically allocated as a post period benefit. Over time, service levels, planned capital expenditures and actual revenues may change, which will affect the post period benefit allocation and would be reflected in future by-law background studies. Careful planning and prioritization of projects is required to ensure that growth related capital expenditures do not exceed the revenues collected as their funding source.

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*Figure 5: Summary of General Service Growth Related Capital Programs (2018-2027)
(\$ Millions)*



**10-year funding amount includes reserve balances as of December 31, 2017*

Engineered Services

The city-wide engineered services program to ultimate development (2031) totals \$2.10 billion, \$1.43 billion of this will be funded by DC collections through 2031, including DCs already collected and in the reserve as of December 31, 2017. The entire engineering services capital program is growth-related and no projects benefiting the existing community have been included. The remaining \$667 million has been deemed to be of post 2031 benefit and is therefore not included in the collections over the next by-law period.

By the time of the next by-law review (potentially as early as 2021) it is expected that the Official Plan (OP), Transportation Master Plan (TMP) and therefore the DC Background Study will all deem 2041 as the new “ultimate development” year. Once this occurs, then most, if not all, of the \$667 million post period benefit would be moved “in-period” and would be collected for beginning in 2021. Figure 6 presents a table that provides a high-level summary of the engineered services program.

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Figure 6: City Wide Engineering Services Program to Ultimate Development (\$ Millions)

Project Summary Description	Net Project Cost	Benefit to Existing	DC Reserve Funding (As of Dec 31, 2017)	2018 - 2031 DC Funding	Post 2031
Vaughan Metropolitan Centre	\$383.5		\$37.1	\$322.5	\$23.5
Black Creek Channel Renewal	\$32.9		\$6.1	\$26.8	
Steeles West	\$28.8		\$1.8	\$27.1	
West Vaughan Employment Area	\$147.1		\$8.6	\$80.1	\$58.3
Kleinburg Nashville	\$26.0		\$1.1	\$25.0	
Kipling Avenue Corridor	\$10.2		\$1.9	\$8.3	
Yonge Steeles Corridor	\$27.3		\$0.9	\$26.4	
Block 40 / 47	\$13.8		\$0.3	\$13.5	
Block 61	\$16.8		\$2.3	\$14.5	
Vaughan Mills Secondary Plan	\$21.5		\$1.5	\$20.0	
North Vaughan Employment Area (Blocks 34 + 35)	\$55.1			\$22.1	\$33.1
Maple GO Station Secondary Plan	\$4.5		\$0.3	\$4.2	
Barrie GO Grade-Separated Railway Crossings (RER)	\$183.9			\$111.3	\$72.6
Jog Elimination	\$2.0		\$0.1	\$1.9	
North Vaughan + Northern Communities TMP (Blocks 27, 41, and 55)	\$389.7		\$3.9	\$291.0	\$94.9
Additional Transportation Infrastructure Projects	\$82.0		\$10.0	\$72.0	
Active Transportation Projects	\$57.0		\$0.1	\$56.9	
Active Transportation Infrastructure	\$65.2		\$5.3	\$59.9	
Other Transportation Related Infrastructure	\$81.3		\$3.2	\$74.1	\$4.1
Growth Related Studies	\$16.7		\$0.7	\$16.1	
City Wide Watermain	\$74.4		\$2.9	\$53.1	\$19.1
Urban Design Streetscape Projects	\$14.2			\$14.2	
Projects Post Period Beyond 2031	\$361.4				\$361.4
Total	\$2,095.5		\$87.8	\$1,340.7	\$667.0

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Section E – Proposed City-Wide DC Rates

Residential Rates

In order to provide sufficient DC funding for the forecasted growth-related capital program, the DC charge for all residential types have increased. For a Single/Semi Detached home, the overall DC charge is required to increase by 97%. This is comprised of an increase of 133% for the city-wide engineering charge, which reflects significant cost increases being experienced for roads and related projects, and an increase of 55% for the general services charge, which reflects land and construction cost increases in excess of the legislated indexing rate.

For other residential types, the overall DC charge is required to increase by 91% for Towns & Multiples, 96% for Large Apartments, and 97% for Small Apartments. The difference in the increases over the different residential types is due to the change in the forecasted residential housing mix from the 2013 Background Study.

Figure 7 presents the 2018 proposed rates as compared to the 2013 rates (indexed to January 1, 2018).

Figure 7: City-Wide Residential DCs (Single/Semi by Service, Other types by total)

Service	2018 Proposed DC Per Unit	2013 DC Per Unit (Indexed to January 1, 2018)	% Change
General Government	\$1,026	\$353	190%
Library Services	\$1,390	\$1,053	32%
Fire & Rescue Services	\$998	\$679	47%
Community Services	\$13,319	\$8,833	51%
Public Works: Buildings & Roads Fleet	\$1,036	\$563	84%
Sub-Total General Services	\$17,769	\$11,481	55%
City-Wide Engineering	\$31,539	\$13,517	133%
Total City-Wide Charge Single/Semi	\$49,308	\$24,998	97%
<u>Other Unit Types</u>			
Total Charge – Towns & Multiples	\$40,671	\$21,290	91%
Total Charge – Large Apartments	\$30,071	\$15,315	96%
Total Charge – Small Apartments	\$21,674	\$10,988	97%

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Non-Residential Rates

Non-Residential rates per square metre are required to increase by 151% owing mainly due to the larger impact that engineering services has on the overall charge. Services for libraries, indoor recreation and parks development are not included in the non-residential rate and therefore the mitigating impacts they have on the residential rates are not seen on the non-residential rate. Figure 8 presents the 2018 proposed rates as compared to the 2013 rates (indexed to January 1, 2018).

Figure 8: City-Wide Non-Residential DCs

Service	2018 Proposed DC Per Sq.M.	2013 DC Per Sq.M. (Indexed to January 1, 2018)	% Change
General Government	\$4.38	\$1.35	224%
Library Services			
Fire & Rescue Services	\$4.28	\$2.80	53%
Community Services			
Public Works: Buildings & Roads Fleet	\$4.46	\$2.28	96%
Sub-Total General Services	\$13.12	\$6.43	104%
City-Wide Engineering	\$130.88	\$50.99	157%
Total City-Wide Charge Non-Residential	\$144.00	\$57.42	151%

Comparisons to Other Municipalities

Figures 9 and 10 show the comparison between the City's current and proposed 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, municipalities within York are not fully comparable due to variations in the usage of area specific charges (ASDCs). Peel municipalities are also not perfectly comparable due to differences in upper/lower tier service division.

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Figure 9: Inter-Municipal Comparison of DCs for a Single Detached Home

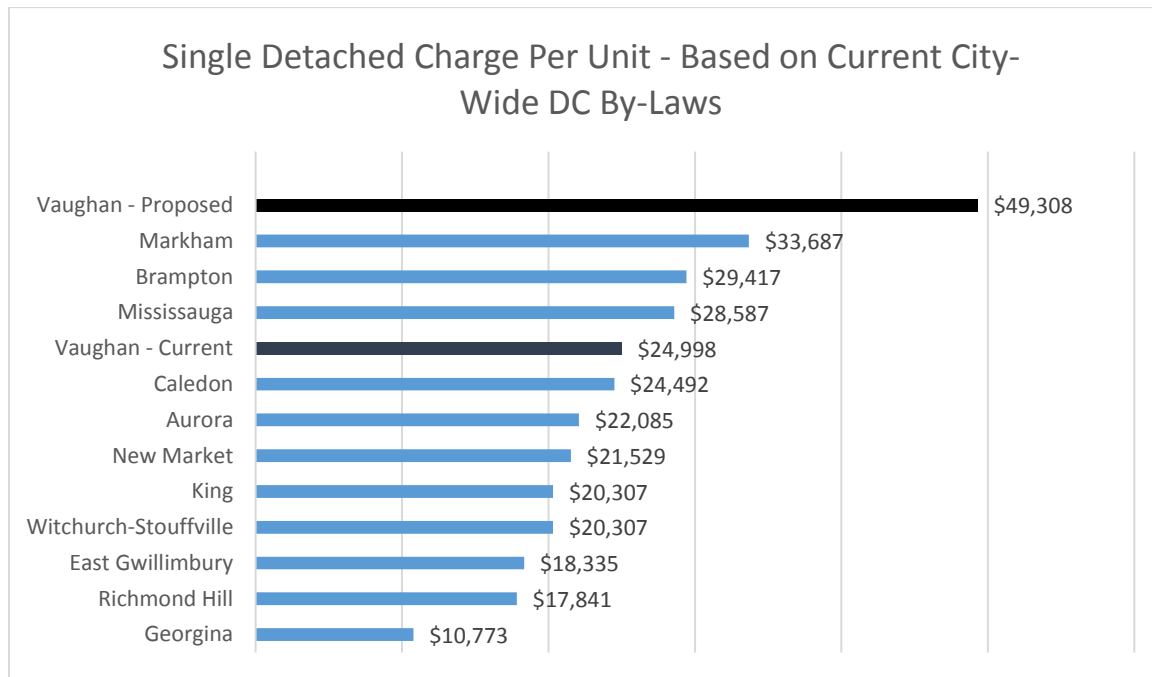
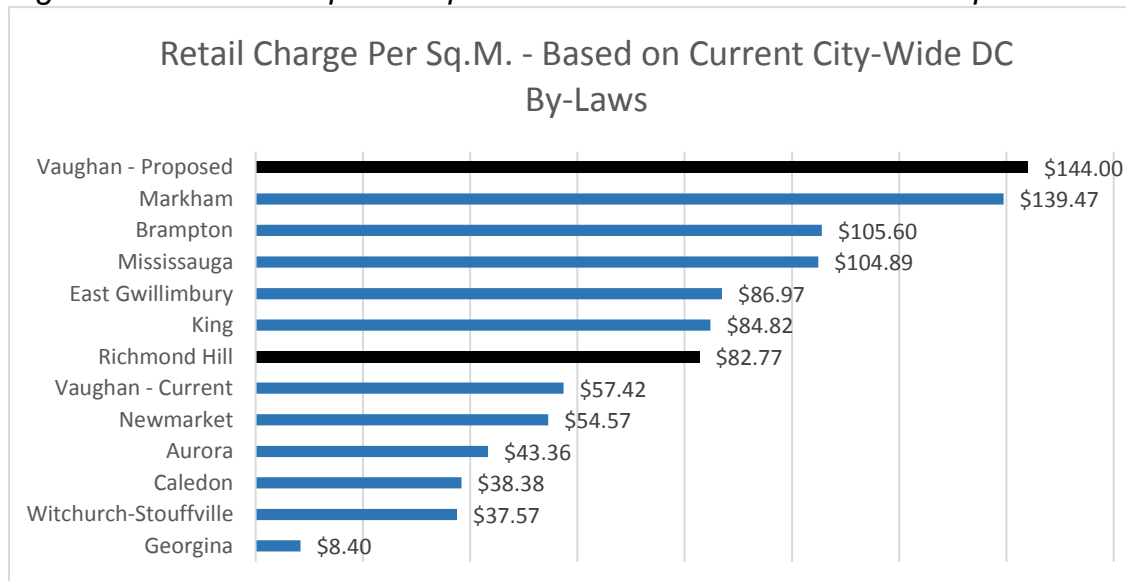


Figure 10: Inter-Municipal Comparison of DCs for Non-Residential Space



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Section F – Proposed Area Specific Development Charge DC Rates

Continuation of Existing Area Specific Development Charges

Several existing Area Specific Development Charges (ASDCs) are proposed to continue. Collection continues in each of the existing benefiting areas to recover the cost of the front ended infrastructure. Minor variations in the rates are shown in Figure 11 and are attributable to modifications in net developable area remaining within the individual benefiting areas. For the purposes of this DC update, the Black Creek Channel and Edgeley Pond ASDCs have been excluded as there were just established in May 2016.

In accordance with the Bill 73 update to the DCA, municipalities must consider ASDCs as part of the development charges background study. Although the City of Vaughan has continued to use ASDCs in the preparation of this study and has historically been considered a leader in this practice amongst its peers, there could be additional opportunities for ASDCs, which can result in further alignment of the costs and benefits.

Figure 11: Continuation of Existing ASDCs

Service	Reference Code	2013 Charge Per Hectare (Indexed to January 1, 2018)	2018 Proposed Charge Per Hectare
Rainbow Creek Drainage Works	D-8	\$2,517	\$2,809
Pressure District 5 West Woodbridge Watermain	D-15	\$10,058	\$8,033
Pressure District 7 Watermain West	D-20	\$12,748	\$2,788
Highway 27 South Servicing Works	D-26	\$190,043	\$172,589
Zenway/Huntington Road Sanitary Sub-Trunk	D-25	\$11,055	\$11,213
Huntington Road Sanitary Sewer (Trade Valley to Rutherford)	D-27	\$10,631	\$8,805

There are several ASDCs that have been proposed to be discontinued. This is because the works have been deemed to be substantially completed and no further reimbursements to front ending developers are required. Any remaining funds will then be transferred to the Engineering Services City-Wide Development Charge Reserve and the completed ASDCs will be closed.

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New Proposed ASDCs

Several new ASDCs are proposed to be enacted for the recovery of funds related to several stormwater management and sanitary sewer projects at various locations throughout the City. The BILD Sub-Committee has been given an opportunity to review the ASDCs, including both the costs and the net benefitting areas. A list of the new proposed ASDCs based on net developable is listed in Figure 12 below.

Figure 12: New Proposed ASDCs based on Net Developable Hectare

Service	New Reference Code	2018 Proposed Charge Per Hectare
Block 55 Sanitary Pumping Station & Forcemain Works	D-29	\$106,755
VMC - Interchange SWM Pond Retrofit Works	D-30	\$718,253
Steeles West Sanitary Sewer Improvement Works	D-31	\$60,583
Steeles West SWM Works	D-32	\$944,982
Woodbridge Avenue Sanitary Sewer Improvements	D-33	\$12,357

The remaining proposed ASDCs are based on dwelling unit and square meters of gross floor area and are listed in Figure 13 below.

Figure 13: New Proposed ASDCs based on Dwelling Unit and GFA

Service	Reference Code	2018 Proposed Charge – Singles and Semis	2018 Proposed Charge – Townhouses & Multiples	2018 Proposed Charge – Large & Small Apartments	2018 Proposed Charge – Per M ² Non-Residential GFA
VMC West - Interchange Sanitary Sewer Improvements	D-34	\$705	\$581	Lg - \$430 Sm - \$310	\$6.80
VMC SE Doughton Sanitary Sewer Improvements	D-35	\$948	\$782	Lg - \$578 Sm - \$417	\$9.15
Pine Valley North SPS and Forcemain (Block 40) – Area 1	D-36-1	\$3,400	\$2,805	Lg - \$2,074 Sm - \$1,495	\$19.10
Pine Valley North SPS and Forcemain (Block 40) – Area 2	D-36-2	\$4,927	\$4,064	Lg - \$3,005 Sm - \$2,166	\$27.68

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Pine Valley North SPS and Forcemain (Block 40) – Area 3	D-36-3	\$3,836	\$3,164	Lg - \$2,339 Sm - \$1,686	\$21.55
Pine Valley North SPS and Forcemain (Block 40) – Area 4	D-36-4	\$3,534	\$2,915	Lg - \$2,156 Sm - \$1,554	\$19.85
Pine Valley North SPS and Forcemain (Block 40) – Area 5	D-36-5	\$4,778	\$3,941	Lg - \$2,914 Sm - \$2,100	\$26.84

Section G – Minor Policy Issues and Proposed Revisions to By-Law

Definition of a Commercial Parking Garage

Through the regular administration of the 2013 DC City-Wide By-law staff have identified that the existing by-law may not have been clear with regards to the exemptions surrounding commercial parking structures and to avoid the potential for misinterpretations by parties seeking to have developments exempted that are not intended to be exempted, staff have included a new definition for “Commercial Parking Garage” in the by-laws which further defines the criteria under which DCs would be applicable.

The new definition will result in an exemption for any parking spaces that are provided as an accessory use to the principle use on the lands and which fall within the minimum or maximum requirements, as laid out in the City’s current Comprehensive Zoning By-Law (By-Law 1-88). Since developments within the VMC are not allowed to exceed the maximum requirements, the new definition will result in no DC charges for all accessory use parking garage space for development types that are subject to a maximum requirement. Outside of the VMC parking may exceed the minimum parking requirements in which case they will attract development charges. All parking spaces, as defined in the City's zoning bylaw that are not accessory to a principal use (is stand-alone) will continue to attract development charges.

Definition of Net Area

As a part of discussions with the development industry it was determined that in the calculation for the establishment of an ASDC rate staff would begin to include schools and community facilities (containing buildings) in the net developable area used to determine the ASDC rate. This is to bring the City of Vaughan into alignment with a settlement that was reached on the issue between the development industry and the Town of Richmond Hill.

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Housekeeping Amendments to the By-laws

It should be noted that a few very minor housekeeping amendments have been made to the by-laws to ensure consistency with the Region of York by-law and to draw clarity to a few definitions. Furthermore, these changes do not materially affect the content of the by-laws, nor should they have an adverse effect on the development industry. The housekeeping amendments apply to the following definitions/sections:

- Definition of “building or structure” – defined to clarify DC treatment, particularly around industrial tents, air-supported structures, and canopies
- Definition of “building permit” – addition to align with Regional by-law
- Definition of “future development” – addition to align with Regional by-law
- Definition of “live-work-unit” – addition to align with Regional by-law
- Definition of “funeral homes” - defined to clarify DC treatment of funeral homes (DCs payable)
- In list of exceptions, added clause to exempt cemeteries or burial grounds, including mausoleums and columbariums
- In list of exceptions, added clause to exempt temporary sales centres
- In list of exceptions, added clause to exempt any land or buildings owned by Metrolinx

Section H – Local Service Policy

A local service policy defines which infrastructure would be considered DC eligible versus what would be considered the responsibility of individual developers. Although the City has followed a set of guidelines and common practices over the years, a formal policy has never been put into place.

As a part of the 2018 DC By-Law update the City has formalized a local service policy. This policy provides the structure under which City staff determine what will be included within a DC Background Study vs. what will be considered a local cost to the developer as a condition of development.

The Local Service Policy does not propose any substantive changes from what has been current practice at the City and therefore should not have any adverse effects on the development industry.

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Section I – Proposed Transition Measures

Proposed Effective Date of By-laws

The DCA allows a municipality to pass a new by-law anytime within the 5-year period after the passage of the last by-law. The City passed its last by-laws on May 14, 2013, with an effective date of September 21, 2013. As a part of the transition measures to aid developments already in progress, staff are recommending that although the new by-laws may be passed on May 23, 2018, the effective dates of the by-laws (both city wide and ASDCs) be set as September 21, 2018 to coincide with the 5-year passage date of the previous by-law in 2013. The rates passed on May 23, 2018 would still be subject to indexing, as per normal practice, on July 1, 2018 and would come in to force on September 21, 2018. Until that time, the current rates will apply (inclusive of indexing).

Discontinuance of Engineering “Top Ups”

The City’s current practice is to charge a “top-up” to Engineering Services DCs at Building Permit issuance for the DCs that were paid at registration for subdivisions. For instance, if a DC was paid on a set of Single Detached homes at a particular rate that was in effect at registration and then 6 months later, when a Building Permit is issued for those units, the DC rate had increased due to indexing, the developer would be responsible for paying the percentage increase in the DC rate. Given the sometimes lengthy time lags between subdivision registration and building permit issuance and because some subdivisions that are already registered would be subject to large top-ups associated with the large increase in rates, staff are proposing an end to Engineering Service DC “top-ups”. There is nothing requiring this practice in the DCA. Although this change would result in lower collections during the by-law period, they can be fully collected in future by-law periods.

Pre-Payment Agreement Proposal

Through consultation with the development industry, City staff have recognized that many commitments and existing agreements may be adversely effected by a potential increase in rates. Given that many developments that are “in the development pipe” may take up to two years to proceed, staff are recommending that Council enter in to pre-payment agreements with landowners who meet certain criteria and achieve certain milestones in the development process as described below.

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These pre-payment agreements are authorized under the DCA and would not be included in the by-laws, but rather would be a delegated authority given to the City Treasurer and City Solicitor based on a strict set of criteria and for a limited time period. The pre-payment agreements would essentially see any developers who anticipate registering or completing a site plan agreement within approximately two years, pre-paying their estimated DCs in early September 2018 at the current rates. They will be required to execute a pre-payment agreement and should they not meet the conditions of that agreement, will have to pay to difference between the current rate and the future rate at the time of building permit issuance.

The criteria for qualifying for and maintaining status under the pre-payment agreement is proposed to be as follows:

Criteria applicable to all pre-payments:

- Pre-pay on estimated units / square footage
- No refunds – If Overestimation is made then dollar based credit will apply against new square footage/units at the rates current as of Building Permit issuance on the same Site Plan or Plan of Subdivision, as applicable
- Letter of intention to pre-pay is received by August 20, 2018
- Pre-payment agreement is executed and applicable pre-payment is received, together within 30 calendar days after receipt of the agreement from the City but no later than September 20, 2018 (The City will initiate the agreement upon receipt of letter of intent)
- Fees associated with registering the agreement on title shall be borne by the owner/applicant and are considered to be over and above the administration fees stated below.

Additional Criteria for Residential Developments by Subdivision:

- Pre-payment applies to Total DC
- Pay \$2,000 administration fee
- Signed and dated M-Plan received by September 20, 2018
- Subdivision agreement registration achieved by March 20, 2020
- Building permits issued after the earlier of September 20, 2021 or the enactment of a new City-Wide DC by-law will be subject to a top up of General Services DCs to the Current rates

Additional Criteria for Non-High Density Residential Developments by Site Plan:

- Pre-payment applies to Total DC
- Pay \$2,000 administration fee

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- Submit a Site Plan Application by September 20, 2018
- Execute a Site Plan Agreement or Letter of Undertaking (as applicable) by December 20, 2019
- Building Permit Issuance by March 20, 2020

Additional Criteria for Non-Residential Developments:

- Pre-payment applies to Total DC
- Pay \$2,000 administration fee
- Submit a Site Plan Application by September 20, 2018
- Execute a Site Plan Agreement or Letter of Undertaking (as applicable) by June 20, 2020
- Building Permit Issuance by December 20, 2020

Additional Criteria for High-Density Residential, Mixed-Use High Density Residential and High-Density Office Developments:

- Pre-payment applies to Total DC
- Pay \$2,000 administration fee
- Submit a Site Plan Application by September 20, 2018
- Execute a Site Plan Agreement by June 20, 2020
- Building Permit Issuance by December 20, 2020

Cost of Transition Measures

It is anticipated that many developers will take advantage of the pre-payment agreement proposal; so much so that up to one to two thirds of the development occurring over the next twenty-six (26) months may prepay in September 2018. This will serve to boost the City's cashflow in the interim. Pre-payment agreements are specifically allowed by the DCA and there is nothing prohibiting a municipality from collecting DCs earlier (or later) than the normal process specified under the DCA. As pre-paid DCs are not considered to be a discount, like phase-ins, the foregone revenue attributed to pre-payment agreements during this by-law period may be collected for through future by-laws.

The potential impacts of the pre-payment agreements could result in deferred revenue of \$32M to \$63M. Additionally, the City will receive the added benefit of receiving an influx of cash flow in September 2018 that it otherwise would not have received.

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Section J – Proposed Review of DC Rate Methodology

Staff have identified that the methodology to calculate DCs, while common practice across Ontario, may contain some inherent and unintentional incentives to promote inefficient use of land or infrastructure.

The City has historically, and currently still does, use Area Specific DCs for the recovery of Wastewater and Stormwater infrastructure. Vaughan is one of very few municipalities to have this practice in place, which is now formally promoted as an endorsed methodology by the Province through the Bill 73 changes last year.

Other methodologies exist that reduce the effect of cross subsidization between greenfield and intensification development, to varying degrees. The City already uses ASDCs, one of these methodologies, for its Wastewater and Stormwater infrastructure, but staff are committed to exploring the potential for other methodological changes in future updates of the DC Background Study and by-laws in order to further mitigate this issue.

City staff intend to bring forward a recommendation to Council as a part of the May 7, 2018 final report that staff be directed to establish a work plan which will span from the enactment of the 2018 DC by-law to the enactment of the next future DC by-law. This will include an internal review of the City's rate calculation practices and consideration will be made towards other methods of allocating growth related costs across the City and across various types of development.

The review will include an evaluation of the use of area specific development charges versus city-wide charges to ensure a fair and equitable allocation of cost. Additionally, the use of a single non-residential rate versus a differentiated rate will be evaluated. This review will also include updating or developing relevant policies to support the framework once established. City staff would also commit to extensive consultation and collaboration with the development industry to ensure appropriate feedback. The intent would be to form a City/Industry working group which would include representatives from across the various sectors of development.

Previous Reports/Authority

http://www.vaughan.ca/council/minutes_agendas/Extracts/01Finance0116_17ex_3.pdf

Financial Impact

The 2018-2027 growth-related capital program for general services including General Government, Library, Fire & Rescue, Community Services, and Public Works Buildings

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& Fleet, totals \$720.5 million. The City-wide Engineering net capital program totals an additional \$2.1 billion. This amount is estimated to provide for growth-related infrastructure required to 2031.

The Development Charges Act, 1997 (DCA) requires that municipalities reduce the growth-related net capital costs associated with the “soft services” (general services) by 10%. Additionally, infrastructure that is emplaced that will provide benefits to the existing population must also be funded from a source other than DCs. This is commonly known as a “benefit to existing” apportionment. Combined, non-DC funding of \$77.5 million will be required over the 2018-2027 period to support the growth-related capital program; typically, these costs are funded through property tax revenues or user rates.

Furthermore, the 2018 DC Background Study identified approximately \$667 million of post-period benefits in the City-Wide engineering program and approximately \$160 million of post-period benefits in the general services capital programs. Conceptually, these costs may be recovered from future DC by-laws; however non-DC funding will be needed to pay for any costs that cannot be recovered from future development charge revenues.

Section 10 of the DCA requires the development charge background study to include an asset management plan that demonstrates that all of the assets in the DC Study are financial sustainable over their full life cycle. It is estimated that annual capital provision will reach \$10.2 million by 2028 for general services and \$24.8 million by 2032 for city-wide engineering services.

Furthermore, the planned infrastructure within the growth-related capital program will come with operating costs requirements associated with maintaining or providing service through that infrastructure. It is estimated that by 2027, the City’s net operating costs are estimated to increase by \$32.9 million for general services and \$6.3 million for City-wide engineering services. Based on the 2018 DC Background Study provided by Hemson Consulting Ltd., the calculated annual capital provisions identified are considered to be financially sustainable as it is expected that the increased capital asset management requirements can be absorbed by the tax and user base over the long-term.

Staff anticipate that growth assessment and growth-related revenues will be positively affected by the City’s ability to strategically and prudently manage growth, and shall, in turn, be fully utilized to fund growth infrastructures and services. The City is working to complete a long term fiscal plan that would take consider the City’s Term of Council strategic plan, growth plans, asset management plan, development charge study, and

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its treasury management strategy. This long term fiscal plan would be used to discuss and recommend funding strategies, spending capacities, tax levy implications and the City's financial affordability/resiliency and it will be used to further inform the City's annual budgeting processes and related financial policies to ensure financial decisions are mindful of short-term and long-term financial impacts from the City's growth.

Broader Regional Impacts/Considerations

Regional Council approved a Development Charge By-law on June 17, 2017 and a subsequent update currently underway and proposed for approval in June 2018. City staff provided significant feedback throughout the course of this Study and the update. In addition to these meetings, City staff has engaged with Regional staff during the City-Wide By-law update to ensure coordination and cohesiveness between the approach of the Region and the City.

Conclusion

The proposed rate for a single detached home is increasing by 97% and the tentative rate for non-residential space is increasing by 151%. Council and the public were presented with the Development Charge Background Study on March 9, 2018. A further report will be brought to Finance, Administration and Audit Committee on May 7, 2018 to provide final recommendations for by-law passage.

The development industry has been consulted with and BILD has provided a letter stating that they will not appeal the city-wide by-law based on Council adopting the proposal within this report. Various policy and transition measure issues have been considered in further depth to ensure that Council is presented with a by-law that is fiscally responsible, protects existing taxpayers, but that also responds to the evolving environment and economy surrounding the development industry.

Section K – Next Steps

The next steps in the process are as follows:

Final Report on DC By-Law Review	May 7, 2018	FA&A Committee
By-Law Passage & Enactment	May 23, 2018	City Council

For more information, please contact: Brianne Clace, Project Manager, Financial Sustainability at ext. 8284

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Attachments

1. City Wide Residential and Non-Residential Development Charges
2. Area Specific Development Charges
3. BILD Letter of Non-Objection

Prepared by

Brianne Clace, Project Manager, Financial Sustainability, ext. 8284

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)