CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 23, 2013

Item 1, Report No. 6, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on April 23, 2013.

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1 2013 DEVELOPMENT CHARGE REVIEW HIGHLIGHT REPORT

The Finance and Administration Committee recommends:

1) That staff review the definition of mixed-use development to consider using a percentage or another method as a minimum for non-residential uses rather than the 100 square meters proposed, to ensure the promotion of the type of mixed-use development desired, and report back to the May 6, 2013 Finance and Administration Committee meeting;

2) That as part of the review of minor policy issues referenced on Slide 16 of the update presented at this meeting, appropriate staff who will be reporting in June on options for promoting office development also report on options for the promotion of brownfield redevelopment as permitted under relevant legislation;

3) That the presentation by the Director of Development Finance & Investments, and C3, presentation material, be received;

4) That the following Communications be received:

C1. Confidential Memorandum from the Director of Legal Services and Director of Development Finance & Investments, dated April 12, 2013; and
C2. Memorandum from the Acting City Manager, Commissioner of Finance/City Treasurer, dated April 15, 2013; and

5) That the report of the Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments, dated April 15, 2013, be received.

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments, in consultation with the Director of Development/Transportation Engineering, Director of Legal Services, City Manager and the Senior Management Team, recommend:

1) That the following report, presentation and confidential memo (provided under separate cover) be received;

2) That the 2013 Development Charges Background Study, subject to input from the public on April 23, 2013, and appropriate draft by-laws incorporating the development charge rates in:

   Attachment 1 – City Wide Residential and Non-Residential Development Charges
   Attachment 2 – Special Service Area Development Charges

   be forwarded to the Finance & Administration Committee meeting of May 6, 2013 for adoption;

3) 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 public input on April 23, 2013, be forwarded to the Finance & Administration Committee meeting of May 6, 2013 for adoption; and

4) That the proposed transition measures as outlined in this report and subject to public input on April 23, 2013, be forwarded to the Finance & Administration Committee meeting of May 6, 2013 for adoption.

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Contribution to Sustainability

The objective of Development Charges (DCs) 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

The 2012-2021 growth related capital program for general services including General Government, Library, Fire & Rescue, Indoor Recreation, Parks Development & Facilities, and Public Works Buildings & Fleet, totals $536.7 million.

The City-wide Engineering net capital program totals an additional $784 million. This amount is estimated to provide for growth-related infrastructure required to 2031 and beyond.

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. Typically, both the “soft service” reduction and “benefit to existing” are funded through property tax revenues. Combined, tax-supported funding of $96.4 million will be required over the 2012-2021 period to support the growth-related capital program.

As the planned infrastructure within the growth-related capital program comes in to service the City will also face increased operating costs associated with maintaining or providing service through that infrastructure. Based on the Background Study provided by Hemson Consulting Ltd., servicing this new infrastructure will amount to an approximate increased tax-supported funding requirement of $12 million by the year 2021.

The Background Study identifies a proposed increase in DCs of 79% on a single detached home and 156% per square metre on non-residential space. From an economic perspective, the impact of the magnitude of this increase on the development industry and prospective new home owners or non-residential owners/tenants, may be construed as detrimental to the development environment in the short term. Furthermore, given the contribution of the development industry to the overall economy in terms of construction job creation, purchasing of construction materials and the eventual job creation induced by non-residential growth, it is important to place context around the effects of such an increase on an already slowly recovering economy. In recognition of these issues, staff has proposed a number of transition measures, detailed later in this report, to ensure that development “in-process” is not hindered to a great extent by the large increase in rates.

Communications Plan

Legislative Communication Requirements

The DCA has mandatory communication requirements around advertising of at least one public meeting and 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 for April 23, 2013 and was advertised in the Vaughan Citizen on March 27, 2013 and the Thornhill Liberal on March 28, 2013. Furthermore, advertising of the meeting as well as pertinent information to the by-law review was also posted to the City’s VOL beginning on March 8, 2013.

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

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. Before, in between, and after those workshops several correspondences, extensive exchange of detailed background data, and several meetings took place to discuss the technical aspects of the draft calculations.

Most communication with BILD has concluded; resulting in 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 by-law to the Ontario Municipal Board. This does not, however, preclude any individual 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 Special Area Charges (SACs) with affected landowners is ongoing and is also expected to conclude before the enactment of the by-laws scheduled for May 14, 2013.

Purpose

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 Committee on May 6, 2013, subsequent to the public meeting on April 23, 2013. The report "Background" section is divided in to the following sub-sections for Council's review:

Section A – Chronology of By-law Review
Section B – Summary of Growth Forecast
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 Draft By-laws
Section H – Proposed Transition Measures
Section I – Next Steps

Background

Section A – Chronology of By-law Review

Figure 1 below depicts some of the major by-law review process milestones between November 2011 and present day. The boxes shaded in grey are proposed and subject to Council approval.

Figure 1: Flowchart of DC By-law Review Process

Section B – Summary of Growth Forecast

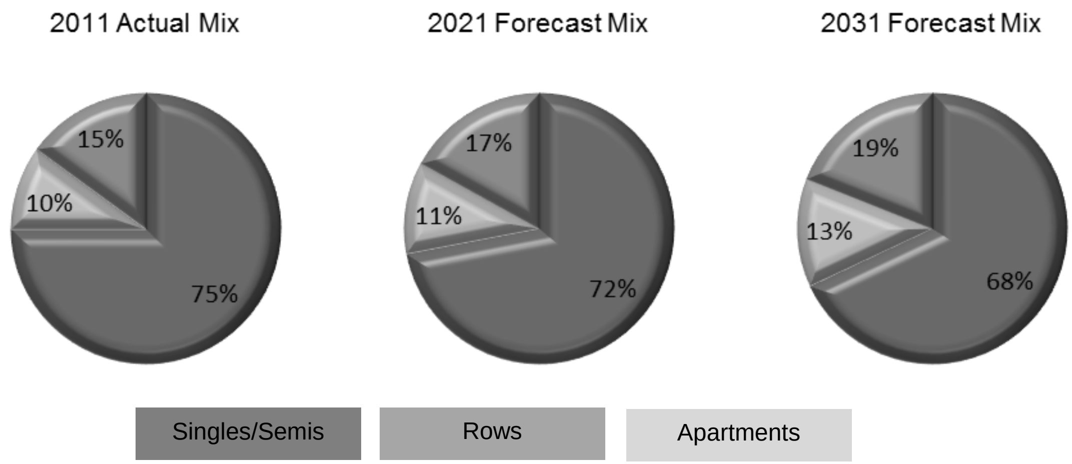
A growth forecast for both the ten year period from 2012 – 2021 and to ultimate development (2031 for the purposes of this study) was completed by Hemson Consulting Ltd. Some key highlights of their findings are as follows:

- Estimates place the City's net population growth at 58,000 people by 2021 and about 113,000 to ultimate development.
- Population growth in new housing units is expected to add 63,000 people by 2021 and 121,800 to ultimate development.
- The City's employment is forecast to grow by approximately 54,000 employees by 2021 and 78,000 to ultimate development.
- This employment growth is projected to generate about 3.8 million square metres of new non-residential building space by 2021 and 5.4 million square metres to ultimate development.

Residential Housing Mix

Figure 2 below compares the breakdown of housing unit mix in 2011 and those forecasted by 2021 and 2031.

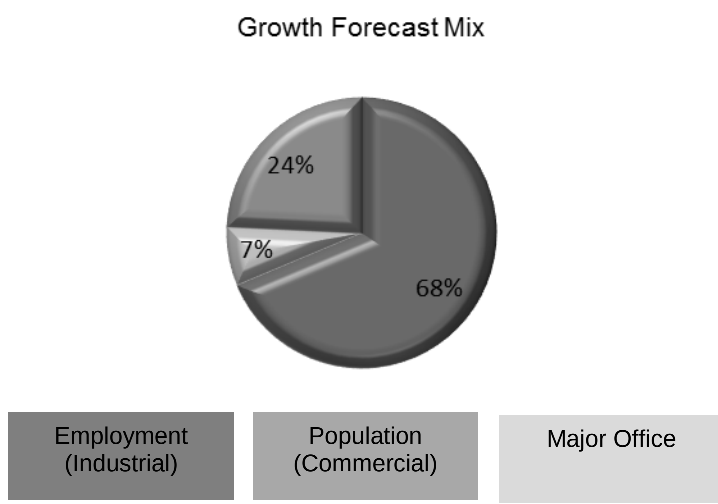
Figure 2: Changing Residential Housing Mix



Non-Residential Type Mix

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

Figure 3: Stable Non-Residential Type of Growth



Section C – Summary of Historic Service Levels

The 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 2008 study. In almost all categories service levels have increased, with the exception of Public Works. The decrease in service levels for Public Works is largely attributable to the transfer of a portion of the Joint Operations Centre to Fire & Rescue Services in 2009 and a lack of any new Public Works buildings being constructed over the 10 year period.

Figure 4: Comparison of 2007 vs. 2011 Service Levels

Service	Average Service Level (1998 – 2007)	Average Service Level (2002 – 2011)	Indicator Type
General Government	N/A	N/A	
Library Services	$271.67	$316.54	$/Capita
Fire & Rescue Services	$125.53	$170.67	$/(Pop + Empl)
Indoor Recreation	$1,373.50	$1,491.70	$/Capita
Park Development and Facilities	$904.56	$1,114.25	$/Capita
Public Works: Buildings & Fleet	$148.18	$140.78	$/(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. It largely represents strategic thinking, as well as costing, as of December 2011 since that is the time to which service levels were measured. Some modifications have been made in recognition of more recent strategic direction resulting from the 2013 capital budget process. It should be acknowledged that changes to the forecast presented in the Background Study may occur through the City's normal capital budget process and both prioritization as well as actual funding constraints at the time of future budget deliberations will need to be considered.

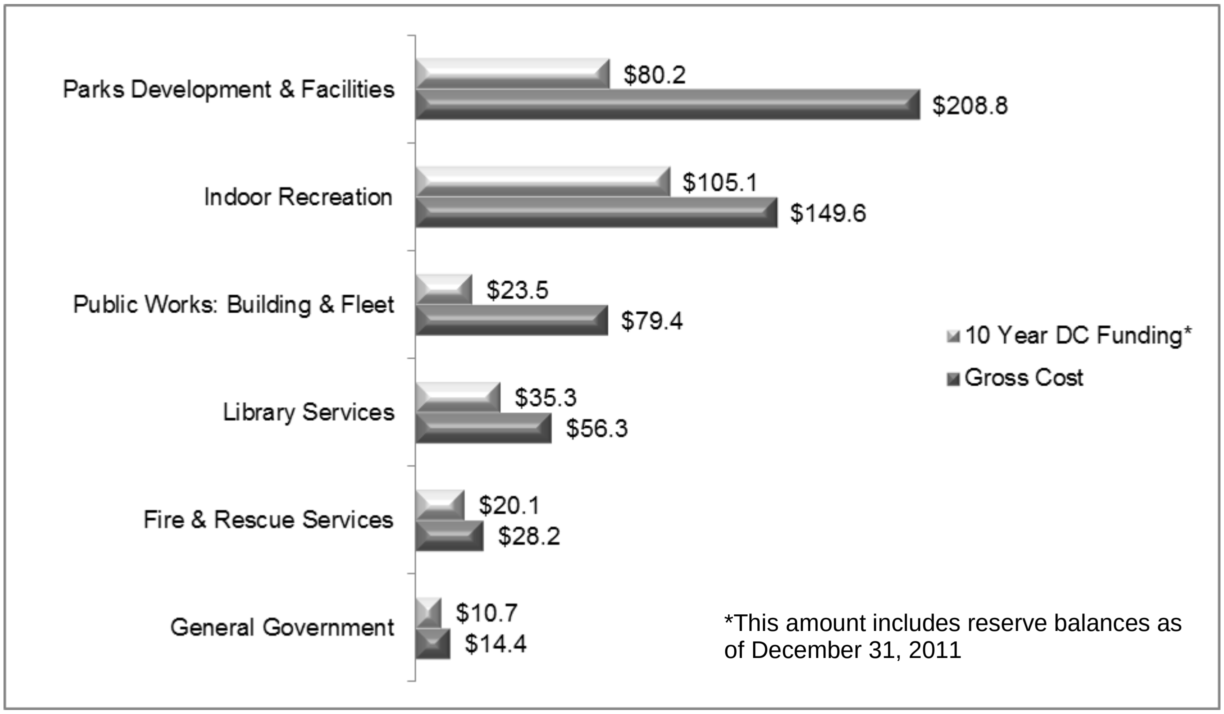
General Services

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 $536.7 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) - $38.4 million
- Benefit to Existing (tax-based funding) - $33.2 million
- Post Period Benefit Allocation (future DC funding) - $190.1 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, however 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.

Figure 5: Summary of General Service Growth Related Capital Programs (2012-2021) ($ Millions)



Engineered Services

The city wide engineered services program to ultimate development (2031) totals $784 million. $658 million of this will be funded by DCs already in the reserve as of December 31, 2011 and through DC collections until 2031. $24.7 million is attributable to benefit to existing (tax funded) on urban design streetscape projects. This was derived from the 10 year historic service level for that particular category of engineered service and is consistent with the treatment provided in the 2008 Background Study. It is important to note that no other recognition for benefit to existing has been made in the engineered services program. The remaining $101 million has been deemed to be of post 2031 benefit and is therefore not included in the collections over the next 5 year by-law period. It should, however, be noted that by the time of the next by-law review (2018) 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 $101 million post period benefit would be moved “in-period” and would be collected for beginning in 2018.

Figure 6 presents a table that provides a high level summary of the engineered services program.

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, 2011)	2012-2031 DC Funding	Post 2031
2012 TMP Road Improvements	$174.3			$96.2	$78.1
Vaughan Metropolitan Centre	$133.1			$123.5	$9.6
2008 Carry-Over Projects	$91.3		$28.8	$62.5	
Other Transportation Related Work	$86.9			$86.9	
City Wide – Watermains	$83.5			$83.5	
West Vaughan Employment Area	$76.0			$76.0	
Urban Design Streetscape Projects	$33.5	$24.7		$8.7	
Grade Separations	$27.9			$22.3	$5.6
Steeles West (OPA 620)	$13.7			$7.6	$6.1
Block 61	$13.3			$13.3	
Yonge Steeles Corridor	$12.2			$12.2	
Growth Related Studies	$11.5			$11.5	
Urban Expansion Areas	$10.0			$10.0	
Kipling Avenue Corridor	$8.1			$8.1	
Vaughan Healthcare Centre Precinct	$5.0			$5.0	
Jog Eliminations	$3.6			$1.8	$1.8
Kleinburg Nashville	$0.3			$0.3	
Total	**$784.0**	**$24.7**	**$28.8**	**$629.3**	**$101.2**

Section E – Proposed City Wide DC Rates

Residential Rates

For residential developments, the city wide engineering charge is proposed to increase by 178% for a Single/Semi Detached home reflecting significant cost increases being experienced for roads and related projects. Additionally, new watermain projects (over $80 million) are now included in the City-wide Engineering category whereas no watermain projects were included in the 2008 city wide charge (they were recovered solely through SACs). The charge for General Services on a Single/Semi Detached home is proposed to increase by 26% reflecting land and construction cost increases in excess of the legislated indexing rate. Overall, the DC for a Single/Semi Detached home is proposed to increase by 79%. Figure 7 presents the 2013 proposed rates as compared to the 2008 rates (indexed to January 1, 2013).

Figure 7: City Wide Residential DCs (Single/Semi by Service, Other Types by Total)

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%

Non-Residential Rates

Non-Residential rates per square metre are proposed to increase by 157% owing mainly 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 2013 proposed rates as compared to the 2008 rates (indexed to January 1, 2013). The proposed new High Density Mixed Use rate is presented below and will be discussed further in the policy section of this report.

Figure 8: City Wide Non-Residential DCs

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%

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, comparisons between municipalities within York do not fully include comparison provisions for area specific charges (SACs), nor does the comparison to Peel municipalities account for differences in upper/lower tier service division.

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

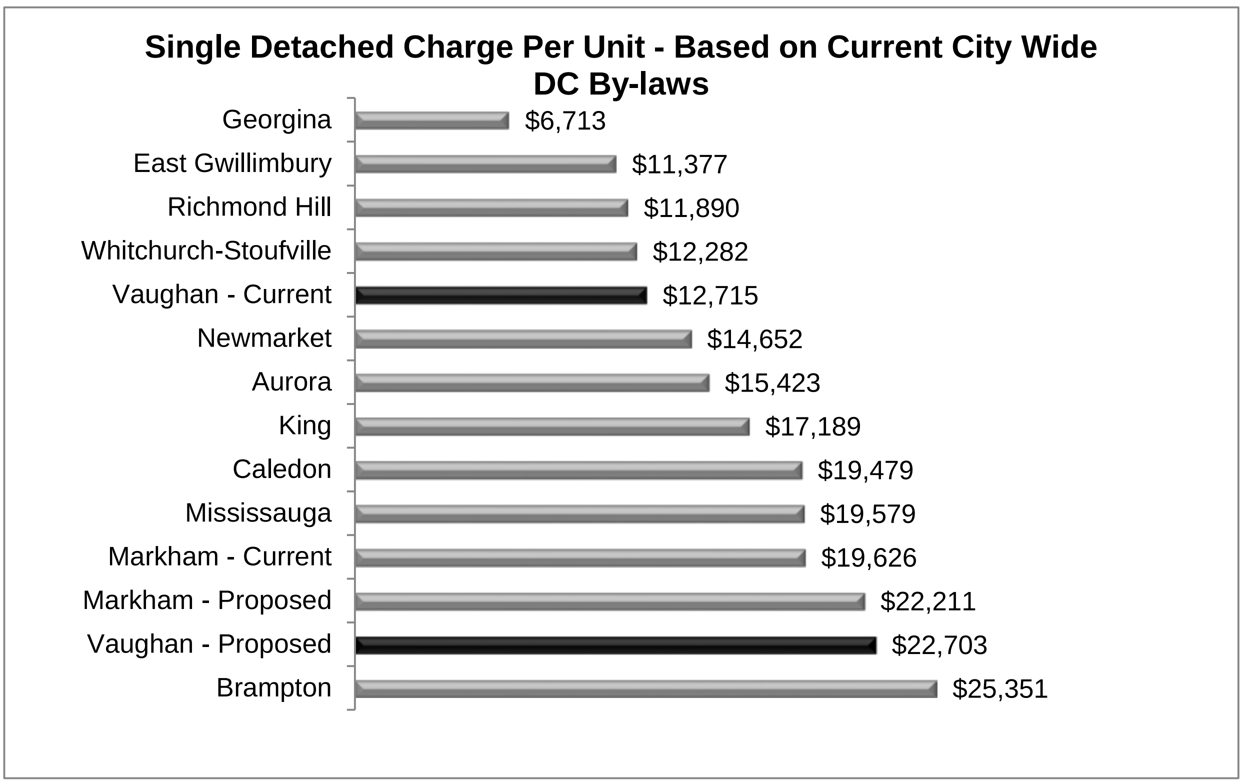
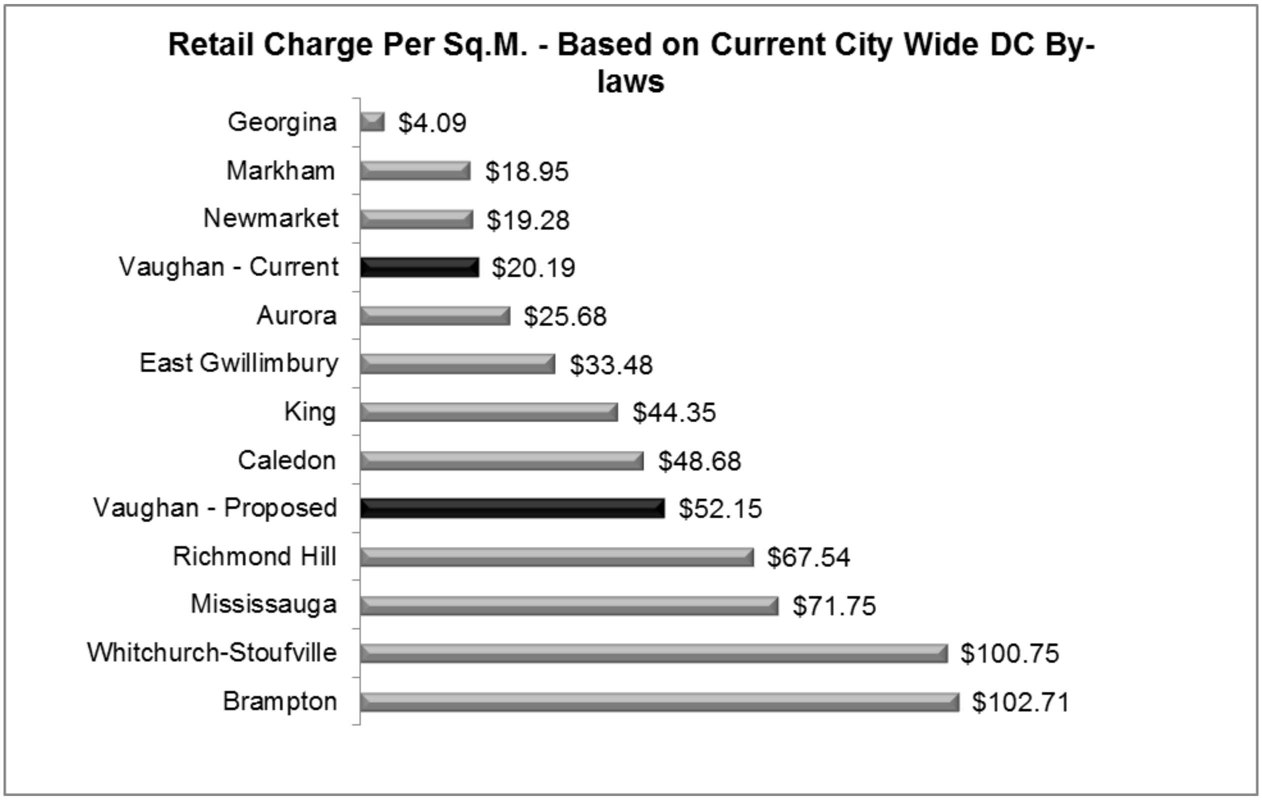


Figure 10: Inter-Municipal Comparison of DCs for Non-Residential Space



Section F – Proposed Special Area Charge DC Rates

Continuation of Existing SACs

All existing SACs 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.

Figure 11: Continuation of Existing SACs

Service	Reference Code	2008 Charge Per Hectare (Indexed to January 1, 2013)	2013 Proposed Charge Per Hectare
Rainbow Creek Drainage Works	D-8	$8,440	$2,286
Pressure District 5 West (Woodbridge Watermain)	D-15	$7,023	$9,134
Pressure District 6 West (Major Mackenzie Drive Watermain)	D-18	$3,714	$3,531
Pressure District 6 East (Rutherford Road Watermain)	D-19	$6,823	$7,676
Pressure District 7 Watermain West	D-20	$16,192	$11,577
Dufferin/Teston Sanitary Sewer (OPA 332 Ultimate Outlet)	D-23	$11,980	$11,980
Zenway/Fogal Sanitary Sub Trunk	D-25	$8,504	$10,040
Highway 27 South Servicing Works	D-26	$178,634	$172,589

Outstanding OMB Appeal on D-25 Existing SAC

It should be noted that the Zenway/Fogal Sanitary Sub Trunk (D-25) was appealed to the OMB in 2008. That appeal was never heard at the OMB and is expected to be withdrawn prior to the enactment of the new by-law on May 14, 2013. The front ending landowners within the affected areas were able to reach an agreement whereby new infrastructure and new benefiting land area have now been incorporated in to the revised by-law. Neither the revision to the by-law, nor the agreement between the landowners has an adverse financial impact on the City.

New Huntington Road Sewer SAC (Tradevalley to Rutherford Road)

A new SAC is proposed to be enacted for the recovery of funds related to the Huntington Road sewer from Tradevalley to Rutherford Road. The affected landowners have reviewed the SAC, including both the cost and the net benefitting area. The new SAC is depicted in Figure 12 below.

Figure 12: New SAC – Huntington Road Sewer (Tradevalley to Rutherford Road)

Service	New Reference Code	2008 Charge Per Hectare (Indexed to January 1, 2013)	2013 Proposed Charge Per Hectare
Huntington Road Sewer (Tradevalley to Rutherford)	D-27	N/A	$9,655

New Black Creek / VMC Storm Water Management SAC

As indicated in the March 4, 2013 report to Finance & Administration Committee, the Black Creek channelization works was removed from the city wide engineering program and placed in to a SAC for the final draft of the Background Study. $10 million in urbanization works related to Black Creek remained in the city wide charge, which reflects a greater city wide benefit attributable to those specific works.

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For the purposes of establishing a SAC for the Black Creek works as well as other storm water management related infrastructure, the following was considered:

- Engineering costs associated with the required projects
- Developable lands benefiting from the infrastructure
- The relative level of benefit between affected lands
- The City's normal practice with regard to storm water management ponds construction

Based on the above, it was necessary to create a six tiered SAC to recover the cost for four projects related to the overall stormwater management strategy in the VMC. The four projects to be completed include:

		($ Millions)
1)	Jane/7 SWMP retrofit	$6.9
2)	Black Creek flood improvement works	$21.7
3)	Black Creek land acquisitions	$14.7
4)	Black Creek erosion improvement works	$0.9
		$44.2

The six "tiers" or geographic areas within the VMC pay in different proportions to each of these projects based on their relative benefit (these details can be found in the Background Study). Based on the cost estimates, net developable areas and proportional allocations to each project, the six tiered SAC is presented in Figure 13. Staff are still in the process of consulting with affected landowners and while the total cost of the project will likely not change, the proportional allocation may change before the final recommended rates are brought to May 6, 2013 Finance & Administration Committee.

Figure 13: New SAC – Black Creek and Related VMC Storm Water Management Related Works

Service	New Reference Code	2008 Charge Per Hectare (Indexed to January 1, 2013)	2013 Proposed Charge Per Hectare
Black Creek and Related VMC SWM Works	D-28.0		
Sub-Area 1 (VMC Secondary Plan Tributary to Jane/7 SWMP)	D-28.1	N/A	$379,350
Sub-Area 2 (SE Quadrant of VMC)	D-28.2	N/A	$172,575
Sub-Area 3 (Net Reclaimed Lands SE Quadrant of VMC)	D-28.3	N/A	$3,605,417
Sub-Area 4 (External Black Creek Watershed NE)	D-28.4	N/A	$172,575
Sub-Area 5 (External Black Creek Watershed SW)	D-28.5	N/A	$3,471
Sub-Area 6 (Remainder of VMC)	D-28.6	N/A	$3,471

It should be noted that the storm water management ponds located in the south-east, south-west and north-west quadrants of the VMC are expected to be developed through the City's normal development process in which landowners complete the works as a part of their normal development plan using a cost sharing agreement to allocate costs.

Process for New SACs Going Forward

Only one new front ended SAC has been proposed (Huntington Road Sewer from Tradevalley to Rutherford Road) as the works are complete. The Black Creek and VMC SWM related works SAC has also been proposed to be enacted immediately given the fact that the City will be responsible for the construction management of the project and therefore require the collection of DCs as a funding source. However, it should be noted that several other potential SACs do exist throughout the City as various waste water projects are underway. These projects are being front ended by a benefiting landowner(s) in the area and repayment by the City would be anticipated.

City staff, in consultation with the industry, are proposing to withhold enactment of any new SAC by-laws where the infrastructure is not yet complete. This will protect the City from the risk of under collecting for SAC DCs in order to pay for infrastructure that is still under construction and may be subject to cost changes. Going forward, once an eligible piece of waste water growth infrastructure is deemed complete by the Engineering Commission, then City staff will initiate a by-law enactment process for that specific SAC. This will entail, albeit on a much smaller scale, the same process as the full 5 year DC by-law review. A short DC Background Study will be prepared, a by-law will be drafted and a Public Meeting will be held. Once all the foregoing legislative requirements have been met then the new by-law will be enacted and all further development in that affected area will be charged under the new SAC.

All development that occurred in advance of the by-law enactment will be subject to providing securities for the forecasted SAC DC through the normal subdivision or site plan process. Upon enactment of the by-law landowners will be required to pay the DC at the final established rate.

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

Apartment Buildings - Large Apartments / Small Apartments Differentiation

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 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.

Staff are recommending that the apartment size threshold between large and small apartments would be based on a similar treatment to that of York Region (e.g. 700 Sq.Ft. until June 2014 and 650 Sq.Ft. thereafter). Staff recognize that York Region's by-law has been appealed, in part, due to the thresholds used for large and small apartments. Staff maintain the position that the proposed by-law should provide a treatment consistent with that of York Region. In order to ensure consistency regardless of the outcome of any Regional appeal, the draft by-laws contain provisions for the event in which the appeals on the subject with York Region are settled, withdrawn or decided by the OMB. At that time, Vaughan's by-law will automatically adopt the same threshold criteria found under the York by-law in order to ensure consistent application going forward. The draft by-laws also contain a provision that does not require the City to provide any refunds in relation to the automatic reversion to the York treatment.

Definition of a Commercial Parking Garage

Through the regular administration of the 2008 city wide DC by-law, staff have identified that the current exemptions surrounding the exemption of DCs towards parking structures may unintentionally hinder developments within certain higher density areas of the City. Currently, the definition of “Gross Floor Area” excludes the payment of DCs towards parking, unless the principal use of the building is for parking. The general impetus towards creating this type of exclusion from the exemption is to ensure that commercial parking structures (e.g. commuter parking garages) pay DCs, whereas underground or above grade parking structures directly associated with residential or non-residential uses do not pay DCs. The unintended consequence of leaving the definition as is will be that separate structures, regardless of being commercial or non-commercial in nature, will have to pay DCs (e.g. an above grade parking structure directly associated with an office building for use by their employees and visitors). As a result, staff have included a new definition for “Commercial Parking Garage” in the draft by-laws and this will be the defining criteria to whether or not DCs are applicable (rather than “principal use”). In addition, the “Commercial Parking Garage” definition also includes reference to storage of motor vehicles prior to sale or rental (e.g. car dealerships) to remain consistent with treatment by the Region.

Proposed High Density Mixed Use Rate

Staff have been generally supportive of a differentiated rate for mixed use developments (non-residential/high density residential developed as one building) and have consulted with the industry on this newly proposed rate. Staff have researched the Markham approach to providing a differentiated rate and are recommending a similar methodology. Staff are recommending a 15% reduction to the City Wide Engineering and Public Works components. This treatment is generally in keeping with the development industry’s assertion that mixed use development will reduce transit / commuting / traffic / road infrastructure costs. The reduction in charges on mixed use development would be slightly offset by an increase in charges for non-mixed use developments. The resulting rates per Sq.M. have been provided in Figure 8 earlier in this report and are consistent with the memo from Hemson Consulting appended to the Background Study.

The proposed definition included in the by-law is as follows:

“Mixed-use Development” means a building or structure used, designed or intended for high density residential and non-residential uses, where:

a) The non-residential uses comprise not more than 50 percent (50%) of the gross floor area;
b) A minimum of 100 square metres of gross floor area is used for non-residential uses; and
c) The residential portion of the building or structure is no less than four (4) stories in height.

Office Discounts

The development industry has requested that the City consider a discounted rate for office development. City staff have discussed this issue with members of the industry and recognize that office development is an in integral part of economic development in the City, 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 believes 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. Figure 14 shows the current rate structure and the proposed rate structure.

Figure 14: Total Development Charges Applied to Office Developments

	Current Rate (Per Sq.M.)	**Tentative Rate (Per Sq.M.)**
City of Vaughan	$20.33	$52.15
Region of York	$207.29	$207.29
Boards of Education (Combined)	$5.60	$5.60
Total	$233.22	$265.04

Further to Council's request, it is anticipated that staff will bring a report forward in June 2013 outlining the current financial landscape of the office development environment and potential financial incentive strategies to be considered going forward.

Housekeeping Amendments to the Draft By-laws

It should be noted that a few very minor housekeeping amendments have been made to the draft 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-law, nor should they have adverse effects on the development industry. The housekeeping amendments apply to the following definitions/sections:

- Definition of "existing industrial building" – removal of a qualifying date that was carried over from previous by-laws
- Definition of various "plexes" – addition to align with Regional by-law
- Section on "Redevelopment Allowances" – changed to draw clarity to 48 month period between demolition permit and new building permit

Section H – 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-law on September 22, 2008, with an effective date of November 1, 2008. 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 14, 2013, the effective dates of the by-laws (both city wide and SACs) be set as September 21, 2008 to coincide with the 5-year passage date of the previous by-law in 2008. The rates passed on May 14, 2013 would still be subject to indexing, as per normal practice, on July 1, 2013 and would come in to force on September 22, 2013, subject to phasing explained below. Until that time, the current rates will apply (inclusive of indexing).

Phase-in Proposal

Given the magnitude of the increase (79% on a Single Detached Home and 157% on non-residential) staff are recommending a gradual increase of the rate over an 18 month period beginning on September 22, 2013. This phase-in is meant to allow the development market to slowly adapt to the much higher rates and not adversely affect the current growth in the City. A large jump in the rate on one single date would translate into much higher new home owner costs from one day to the next and would also likely translate into much higher rents per square foot or investment costs in the non-residential sector.

…/17

The phase-in proposal has been set-up so that the General Service increase comes in to effect on September 22, 2013 and one third of the Engineering Services increase comes in to effect at the end of each of the next 6 months thereafter. Figure 15 shows the effects of the phase-in increase for a Single Detached Home and a square metre of non-residential development.

Date	Type of Increase	% of Total Rate Increase
May 14, 2013 *(By-law Enactment)*	No Increase	0%
September 21, 2013	General Service Increase	21%
March 21, 2014	1/3 of Engineering Increase	26%
September 21, 2014	1/3 of Engineering Increase	26%
March 21, 2015	1/3 of Engineering Increase	26%
Total		100%

Effect on Non-Residential

Date	Type of Increase	% of Total Rate Increase
May 14, 2013 *(By-law Enactment)*	No Increase	0%
September 21, 2013	General Service Increase	9%
March 21, 2014	1/3 of Engineering Increase	30%
September 21, 2014	1/3 of Engineering Increase	30%
March 21, 2015	1/3 of Engineering Increase	30%
Total		100%

Freeze on “Engineering Top-ups”

The City’s current practice is to charge a “top-up” to Engineering Services DCs at Building Permit issuance 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, the phase-in proposal provided above would become less effective should a top-up be required. Furthermore, those subdivisions that are already registered would also be subject to large top-ups. Given these issues, staff are proposing a freeze on Engineering Service DC “top-ups” until March 21, 2015, at which time the full rate will come in to effect. At that point in time the City’s normal practice of collecting top-ups at building permit issuance will resume.

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 one year 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. These pre-payment agreements are authorized under the DCA and would not be included in the draft 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 one year, pre-paying their estimated DCs in early September 2013 at the current rates. They will be required to execute an 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. Additional assistance has been provided to high density residential and office developments by deferring the payment of 75% of the DCs until 18 months after Building Permit issuance. This deferral is meant to aid and attract these specific forms of development, which the City sees as desirable. It is also consistent with the treatment provided by the Region of York.

The criteria for qualifying for and maintaining status under the pre-payment agreement is proposed 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 the City by August 20, 2013
- Pre-payment agreement is executed and applicable pre-payment is received, together within 30 calendar days after the City sends the agreement to the applicant *(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 only applies to Engineering portion of DC
- Pay $1,500 administration fee
- Signed and dated M-Plan received by August 20, 2013
- Registration achieved by June 22, 2014

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

- Pre-payment only applies to Engineering portion of DC
- Pay $1,500 administration fee
- Submit a Complete Site Plan Application by September 20, 2013
- Execute a Site Plan Agreement or Letter of Undertaking (as applicable) by June 22, 2014
- Building Permit Issuance by September 20, 2014

Additional Criteria for Non-Residential Developments:

- Pre-payment applies to Total DC
- Pay $1,500 administration fee
- Submit a Complete Site Plan Application by September 20, 2013
- Execute a Site Plan Agreement or Letter of Undertaking (as applicable) by June 22, 2014
- Building Permit Issuance by September 20, 2014

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

- Pre-payment applies to Total DC
- Pay $1,500 administration fee
- Pre-pay 25% and secure 75% (75% to be paid 18 months after BP issuance; at the rate applicable as of the pre-payment date)
- Submit a Complete Site Plan Application by September 20, 2013
- Execute a Site Plan Agreement by June 22, 2014
- Building Permit Issuance by September 20, 2014

Deferral Agreement Proposal

An unintentional side effect of delaying the effective date of both the city wide and SAC DC by-laws is that for Small Apartments and certain SACs, the rate applicable from May 14, 2013 to September 21, 2013 will be greater than the rate applied as of September 21, 2013. This is due to a drop in the DC rate for these particular categories. For Small Apartments the rate will eventually increase over and above the current rate, but because of the phase-in proposal, the rate as of September 21, 2013 is lower than the current single apartment rate applied to both Small and Large Apartments.

In order to ensure that landowners paying DCs in the interim period are not assessed a higher charge thereby possibly delaying development until September 21, 2013 (at which time they would be assessed a more favourable rate), it is recommended that the City Treasure and City Solicitor be delegated authority to enter in to a DC Deferral Agreement under the DCA under these specific circumstances and provide any conditions necessary within the agreement to protect the City's financial and legal interests.

General Treatment for Small Apartments

Should the landowner intend to pull a building permit before September 21, 2013 then a separate agreement shall be created to allow the landowner to secure and defer the payment until September 21, 2013 (paying at the new lower rates). Should the landowner intend to pull a building permit after September 20, 2013 and is already entering in to a Pre-Payment Agreement as described in the above section, then the deferral for any Small Apartments, as applicable, will be embedded in to the Pre-Payment Agreement.

General Treatment for SACs that are Decreasing

If the registration of a subdivision or building permit issuance of a site plan occurs before September 21, 2013, then a deferral agreement will be entered in to for the deferral of SAC related DCs until September 21, 2013. The landowner will be required to provide cash security in the estimated amount owing under the new by-laws at the time of registration. The security will automatically be drawn upon on September 21, 2013 and the obligations under the deferral agreement will be settled.

Cost of Transition Measures

As noted in earlier reports to Finance & Administration Committee, any revenues foregone through the implementation of a phase-in are prohibited by the DCA from being collected through future development charges by-laws. The foregone revenue would eventually result in either a future reduction in the capital program or a tax impact to fund the uncollected revenue. Estimating the financial impact of the phase-in is very difficult given the uncertainty surrounding

…/20

the amount of development that will occur over the next 18 months. The economy, a developer's internal business plan, municipal approvals and other agency approvals can all contribute to the timing at which development occurs. Any estimate of financial impact from phase-ins must be considered together with the proposal for pre-payment agreements.

It is anticipated that many developers will take advantage of the pre-payment agreement proposal; so much so that up to two thirds of the development occurring over the next 18 months may prepay in September 2013. This will serve to boost the City's cash flow in the interim. Unlike phase-ins, 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 allowed under the DCA and not considered to be discounted like phase-ins, the foregone revenue attributed to pre-payment agreements during this by-law period can be collected for through future by-law periods.

Collectively, the potential impacts of the phase-in and the pre-payment agreements could potentially result in foregone revenue of $8M to $10M. Given the potential economic impact should phase-ins and pre-payment agreements not be considered, this risk is considered by staff to be acceptable. Additionally, the City will receive the added benefit of receiving an influx of cash flow in September 2013 that it otherwise would not have received.

Section I – Next Steps

The next steps in the process are as follows:

April 23, 2013	Statutory Public Meeting: Receive input from the public.
May 6, 2013	Finance & Administration Committee: Staff to bring forward final background study, final by-laws and final recommendations regarding transition measures
May 14, 2013	City Council Meeting: Council to enact new DC by-laws (effective as of September 22, 2013)

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 proposed rate for a Single Detached Home is increasing by 79% and the tentative rate for non-residential space is increasing by 157%. Council and the public were presented with the draft Development Charge Background Study on April 5, 2013. A further report will be brought to Finance & Administration Committee on May 6, 2013, subsequent to the Statutory Public Meeting on April 23, 2013, providing 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 proposals found 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.

Attachments

Attachment 1 – City Wide Residential and Non-Residential Development Charges
Attachment 2 – Special Service Area Development Charges
Attachment 3 – Letter from BILD – March 28, 2013

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(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.)