CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 14, 2013

Item 1, Report No. 7, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on May 14, 2013, as follows:

1. By approving the recommendation of the Finance and Administration Committee subject to replacing Recommendation 1) with the following:

1) That the recommendation contained in the following report of the Acting City Manager and the Director of Development Finance & Investments, dated May 6, 2013, be approved, subject to the following amendments:

A. That Recommendation 1) in the staff report read as follows:

1) That the draft 2013 Development Charges Background Study, dated April 5, 2013, be amended before approval without a change to the Development Charge rates, as follows:

a. Transfer all funding on line I1 (Kirby Road from Dufferin Street to Bathurst Street) of Table 2 of Appendix H to equally spread the total cost of the works (inclusive of the $10.2M amount in Post Period Benefit) between 2019, 2020, and 2021;

b. Transfer $10.2M from line I3 (Kirby Road Widening from Highway 27 to Dufferin Street) to Post Period Benefit;

c. Amend Appendix H (City Wide Engineering Growth-Related Capital Program) by adding $10M for Black Creek/VMC storm water related engineering works in 2014; and

d. Amend Appendix H (City Wide Engineering Growth-Related Capital Program) by moving $10M of item 13 (Kirby Road Widening from Highway 27 to Dufferin Street) to Post Period Benefit.

B. That Recommendation 2) in the staff report read as follows:

2) That Council enact the City Wide Development Charge by-law and all Special Service Area Development Charge by-laws as drafted with the April 5, 2013 release of the Development Charge Background Study, with the exception of a by-law to impose Special Service Area Development Charges for Black Creek and Related VMC Storm Water Management Works, subject to revisions as stated in recommendation #4, and incorporating the phased-in development charge rates in:
Attachment 1 – City Wide Residential and Non-Residential Development Charges
Attachment 2 – Special Service Area Development Charges

and that said by-laws come into force on September 21, 2013.

C. That the following additional recommendation be adopted:

That staff be directed to continue consultation with affected landowners in the Black Creek and VMC related Storm Water Management Works area and report back to Finance and Administration Committee in September 2013 with a recommendation regarding any further amendments required to Appendix I, Map 10 and Table 10 of the Development Charge Background Study, a new Statutory Public Meeting date if applicable, a new draft Special Area Charge by-law and a new enactment/effective date for the Special Area Charge by-law; and

2. By receiving the following Communications:

C3. Mr. Cam Milani, Rizmi Holdings Limited, dated May 8, 2013;
C6. Confidential memorandum from City Clerk, dated May 7, 2013;
C8. Ms. Rosemarie L. Humphries, Humphries Planning Group Inc., Chrislea Road, Vaughan, dated May 10, 2013;

C10. ***Interim City Manager, Commissioner of Engineering & Public Works, Director of Development/Transportation Engineering and Director of Development Finance & Investments, dated May 14, 2013;***
C11. ***Confidential memorandum from the Interim City Manager, Commissioner of Legal & Administrative Services, Commissioner of Engineering and Public Works, Commissioner of Planning, Director of Legal Services, Director of Development Finance & Investments and Director of Development/Engineering/Transportation, dated May 14, 2013;***
C13. ***Mr. Quinto Annibale, Loopstra Nixon LLP, Queens Plate Drive, Toronot, dated May 13, 2013;***
C15. ***Mr. Antony Niro, dated May 14, 2013;***
C16. ***Ms. Paula Bustard, Smart!Centres, Applewood Crescent, Vaughan, dated May 13, 2013;***
C17. ***Mr. Joseph Sgro, ZZen Group of Companies Limited, Zenway Boulevard, Woodbridge;***
C19. ***Mr. Fred Darvish, Liberty Development, Steelcase Road West, Markham, dated May 10, 2013;***
C20. ***Mr. Kurt Franklin, Weston Consulting, Millway Avenue, Vaughan, date May 14, 2013; and***
C21. ***Mr. Jim Levac and Ms. Letizia D'Addario, Weston Consulting, Millway Avenue, Vaughan, dated May 14, 2013.***

---

1 2013 DEVELOPMENT CHARGE REVIEW FINAL RECOMMENDATION REPORT

The Finance and Administration Committee recommends:

1) That the recommendation contained in the following report of the Acting City Manager and the Director of Development Finance & Investments, dated May 6, 2013, be approved, subject to adding the following recommendation 9:

9) That Council, in recognition of a greater city wide benefit from the Black Creek and VMC related Storm Water Management works and in recognition of a greater post period benefit for Kirby Road, modify the approved Development Charge Background Study and draft by-laws in recommendations 2 and 3, with the following amendments, but without revising the proposed City Wide rates:

a. Amend Appendix H (City Wide Engineering Growth-Related Capital Program) by adding $10M for Black Creek / VMC storm water related engineering works in 2014;
b. Amend Appendix H (City Wide Engineering Growth-Related Capital Program) by moving $10M of item 13 (Kirby Road Widening from Highway 27 to Dufferin Street) to Post Period Benefit; and
c. Replace Appendix I - Table 10 (VMC Jane/7 Storm Water Management and Black Creek Flood Erosion) and the rate schedule to the related draft Special Area Charge By-law, with Attachment 1 of the confidential memo;

2) That the confidential recommendation of the Finance and Administration Committee (Closed Session) of May 6, 2013, be approved;

3) That the following deputations and Communication be received:

1) Mr. Chris Atkins, SmartCentres, Applewood Crescent, Vaughan and Communication C2, dated May 6, 2013 on behalf of the applicant; and

2) **Ms. Paula Bustard, SmartCentres, Applewood Crescent, Vaughan, on behalf of the applicant; and**

4) **That the following Communications be received:**

C1. Confidential Memorandum from the Acting City Manager, the Commissioner of Legal and Administrative Services, the Commissioner of Engineering & Public Works, the Commissioner of Planning, the Director of Legal Services, the Director of Development Finance & Investments and the Director of Development Engineering/Transportation, dated May 6, 2013; and

C3. Presentation material.

Recommendation

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

1) That the 2013 Development Charges Background Study, dated April 5, 2013, be approved;

2) That Council enact the City Wide Development Charge by-law and all Special Service Area Development Charge by-laws as drafted with the April 5, 2013 release of the Development Charge Background Study, subject to revisions as stated in recommendation #4, and incorporating the phased-in development charge rates in:

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

and that said by-laws come in to force on September 21, 2013;

3) That Section 1 (Definitions) of the City Wide Development Charge by-law as drafted with the April 5, 2013 release of the Development Charge Background Study, be amended to remove the definition of "high density mixed-use" and replace it with the following definition:

"mid-high density mixed-use means a building or structure used, designed or intended for residential and non-residential uses, where:

a) The non-residential uses comprise not more than 50 percent (50%) of the gross floor area of the building;
b) The non-residential uses comprise a minimum of five percent (5%) of the gross floor area of the building;
c) The residential portion of the building or structure is over 5 storeys in height."

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 Development Charge Background Study, dated April 5, 2013, and subject to maintenance of service levels, the availability of funding and Council policies, be adopted;

5) That Council commit to funding the future operating costs associated with the growth related capital forecast contained in the Development Charge Background Study, which are estimated to reach $12 million annually by 2021;

6) That staff be directed to cease collecting the difference between Engineering Development Charges paid at registration of a subdivision, and those owing, calculated at

7) rates in effect at building permit issuance, on the same registered units, and such direction be limited to the period beginning on September 21, 2013 and ending on March 20, 2015;

8) That the City Treasurer and City Solicitor be delegated joint authority to execute Development Charge Pre-Payment and Deferral Agreements, under Section 27 of the Development Charges Act and in accordance with the criteria set out in this report and any additional administrative and legal criteria deemed necessary by the City Treasurer and City Solicitor to protect the interests of the City, and such authority be limited to the period beginning on May 15, 2013 and ending on September 21, 2013; and

9) That Council confirm that no further public meetings pursuant to the Development Charges Act, 1997 are required prior to the enactment of the new Development Charge by-laws.

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., the operational costs associated with 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 have 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.

…/5

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 was held on 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.

Deputations were received from the following two interested parties:

1) SmartCentres
2) Building Industry and Land Development Association (BILD)

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

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 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.

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.

Communication with Vaughan Public Library staff occurred throughout the review given the incorporation of Library DCs in to the City's DC by-law. Staff and Hemson Consulting Ltd. attended the Library Board meeting on April 18, 2013. Related background study material was presented to the Board and endorsed for the purposes of forming the Development Charges by-law and related rates.

Purpose

The purpose of this report is to seek Council's approval of the final staff recommendations related to the enactment of the DC by-laws. The report "Background" section is divided in to the following sub-sections for Council's review:

Section A – New City Wide DC Rates
Section B – New Special Area Charge DC Rates
Section C – Minor Policy Issues and Proposed Revisions to the Draft By-laws
Section D – Proposed Transition Measures
Section E – Next Steps

…/6

Background

Section A – New City Wide DC Rates

Residential Rates

For residential developments, the charge for General Services on a Single/Semi Detached home is proposed to increase by 26%. The city wide engineering charge is proposed to increase by 178% for a Single/Semi Detached. Overall, the DC for a Single/Semi Detached home is proposed to increase by 79%. Figure 1 presents the 2013 proposed rates as compared to the 2008 rates (indexed to January 1, 2013).

Figure 1: 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 2 presents the 2013 proposed rates as compared to the 2008 rates (indexed to January 1, 2013). The proposed new Mid-High Density Mixed Use rate is presented below and will be discussed further in the policy section of this report.

Figure 2: 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%

…/7

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			
Mid-High Density Mixed Use	$44.79	$20.33	120%

Major Contributing Factors to City Wide Rate Increase

The following is a list of the major contributing factors to the increase in rates calculated in 2012 versus 2008:

- Urban boundary expansions and VMC infrastructure have increased the road related capital program from $366M in 2008 to $700M in 2012
- New water main related infrastructure was collected as SACs in 2008 and is now collected under the City Wide rate ($84M impact)
- Costs of infrastructure have generally been increasing at a greater rate than the legislated DC index

Section B – New Special Area Charge DC Rates

Continuation of Existing SACs

All existing SACs are proposed to continue with the exception of the Ansley Grove Sanitary Sub-Trunk, as the project has been closed. 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 3 and are attributable to modifications in net developable area remaining within the individual benefiting areas.

Figure 3: 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

…/8

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 it has been confirmed by staff that the appellant intends to withdrawn the appeal prior to the enactment of the new by-law on May 14, 2013.

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 4 below.

Figure 4: 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

A new Black Creek/ VMC Storm Water Management SAC has been proposed to recover costs related to storm water management works that have been necessitated by growth. 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 5.

Figure 5: 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.

Benefit Apportionment of New Black Creek/VMC Storm Water Management SAC

At the Statutory Public Meeting on April 23, 2013, Council heard from a SmartCentre delegation that questioned the apportionment methodology used by the City in setting the DC rate. The City's practice, with regard to Engineered Services, has been to allocate the costs of infrastructure that are necessitated by growth, to only the new development that is creating the growth (e.g. "growth pays for growth"). Recognizing a benefit to the existing development in surrounding areas would implicitly require funding from a non-DC source such as property taxes.

Process for New SACs Going Forward

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.

…/10

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

Summary Policy Issues

At the April 15th Finance & Administration Committee meeting staff reported on the following minor policy issues.

- Differentiated rates for Large and Small Apartments
- Definition of a Commercial Parking Garage
- High Density Mixed Use Rate
- Discounts for Office Developments
- Housekeeping amendments to the by-law

All of the recommendations found within that report pertaining to large and small apartment rates, the definition of a commercial parking garage and the housekeeping amendments were already incorporated in to the April 5, 2013 release of the draft by-laws. Office discounts are being investigated outside of the DC by-law context and a report is expected to be brought forward to Council in June 2013.

Staff was asked to re-examine the definition pertaining to the high-density mixed-use differentiated rate and that discussion is provided below. Furthermore, staff was also asked to investigate the potential for a brownfield redevelopment incentive and that discussion is expected to be brought forward with the office development discount report in June 2013.

Proposed Mid-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 2 earlier in this report and are consistent with the memo from Hemson Consulting appended to the Background Study. It should be noted that these rates only apply to the non-residential portion of the building. The residential portion is assessed rates based on unit types (e.g. large or small apartments).

Subsequent to the April 15th Finance & Administration Committee meeting and pursuant to direction from Council; Finance, Economic Development and Planning staff jointly reviewed the definition pertaining to the differentiated rate and have revised it as follows:

"mid-high density mixed-use means a building or structure used, designed or intended for residential and non-residential uses, where:

a) The non-residential uses comprise a maximum of fifty percent (50%) of the gross floor area of the building;
b) The non-residential uses comprise a minimum of five percent (5%) of the gross floor area of the building;
c) The residential portion of the building or structure is over 5 storeys in height."

Three changes should be noted above that help to align the definition with current City policy and refine the targeted type of development to which this differentiated rate is intended to apply.

1) The definition has been changed from only being termed as "high density" to being "mid-high density" in recognition of the fact that mid-rise built forms with non-residential uses mixed in are equally important throughout the City to promote density and an urban landscape,
2) The minimum of 100 Sq.M. has been changed to 5% of the building's gross floor area. On a simplistic level this equates to ensuring that at least one floor of non-residential use is incorporated for every 20 floors of residential and is keeping with favourable high density mixed use forms, and
3) The residential storey minimum has been raised from four to six to align with the City's current definitions of mid-density found in other City planning policy documents.

Section D – Transition Measures

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, 2013 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 21, 2013, subject to phasing explained below. Until that time, the current rates will apply (inclusive of indexing).

Phase-in of Rates

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 21, 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.

The phase-in proposal has been set-up so that the General Service increase comes in to effect on September 21, 2013 and one third of the Engineering Services increase comes in to effect at the end of each of the next 6 months thereafter. Figures 6a and 6b show the effects of the phase-in increase for a Single Detached Home and a square metre of non-residential development.

Figure 6a – Effect on Residential (Single Detached Home)

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%

Figure 6b - Effect on Non-Residential (Per Sq.M.)

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

…/13

period (May 15, 2013 to September 21, 2013). 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 the 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

…/14

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 Treasurer 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 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 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 E – Next Steps

The next steps in the process are as follows:

May 14, 2013 City Council Meeting: Council to enact new DC by-laws (effective as of September 21, 2013)

June 23, 2013 Last Day to Appeal: Shortly after this date, Council will be provided with an update as to the OMB appeals filed with regard to the new DC by-laws

Relationship to Vaughan Vision 2020/Strategic Plan

Not applicable

Regional Implications

N/A

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. Council was provided with a comprehensive highlight report at the Finance & Administration Committee meeting of April 15, 2013. The Statutory Public Meeting was held on April 23, 2013. 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.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 14, 2013

Item 1, Finance Report No. 7 – Page 16

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

Report prepared by:

Lloyd Noronha,
Director of Development Finance & Investments
Ext. 8271

(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.)