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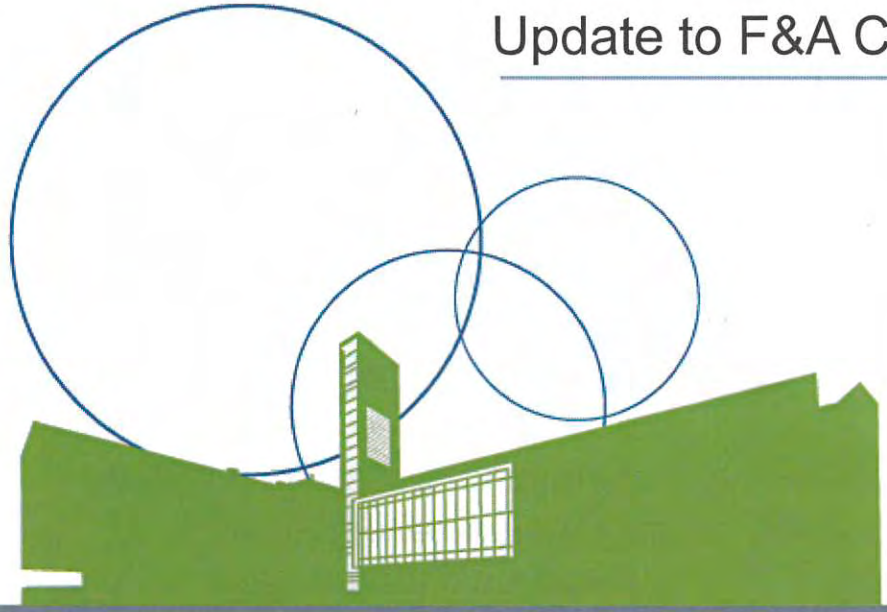
COMMUNICATION
F&A - FEB 11/13
ITEM - 4

2013 DEVELOPMENT CHARGE REVIEW

Update to F&A Committee – February 11, 2013



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Presentation Overview

1. Development Charges Act
2. Current Development Charge By-laws
3. Stakeholder Consultation
4. Growth Forecast
5. Growth Related Capital Program
6. Types of Development Charges
7. Transfers from Area Specific to City Wide
8. City Wide Development Charge Summary
9. Area Specific Development Charges
10. Municipal Comparisons
11. Policy Issues
12. Timelines

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1. Overview of Development Charges Act

Intent of the Development Charges Act, 1997 (DCA)

- The DCA and the associated Regulations allow municipalities to pass by-laws to recover the capital costs of growth related infrastructure (e.g. roads, recreation centres, fire stations, etc.)
- This funding usually represents the largest source within a municipality for growth related capital costs
- The DCA requires municipalities to pass a new by-law every 5 years (or earlier)
- A mandatory Background Study must be completed and a Public Meeting must be held

1. Overview of Development Charges Act

Limitations of the DCA

- Mandatory 10% non-DC funding for "Soft Services" (e.g. Libraries, Indoor Recreation, Parks Development, but excludes Fire)
- Development charge rates are limited by the average 10 year historic service level for soft services (e.g. New residents/businesses receive the exact same level of service experienced by existing residents/businesses)
- Services for which Development Charges cannot be collected under the DCA:
  - Cultural and entertainment facilities, including museums, theatres and art galleries
  - Tourism facilities including convention centres
  - Parkland acquisition including open spaces and trails (except land for indoor recreation buildings)
  - Hospitals
  - Headquarters for general administration of municipalities and local boards
  - Waste management

2. Current Development Charge By-laws

Vaughan's By-law expires on September 22, 2013

- Vaughan passed its last City Wide Development Charge By-law on September 22, 2008
- This by-law was not appealed by any member of the public to the OMB
- Vaughan passed nine (9) Area Specific Development Charge By-laws on September 22, 2008 as well
- One (1) of these by-laws was appealed to the OMB, but no activity from the appellant has transpired since. It is anticipated that this appeal will be withdrawn before the passage of any new by-laws.

3. Stakeholder Consultation

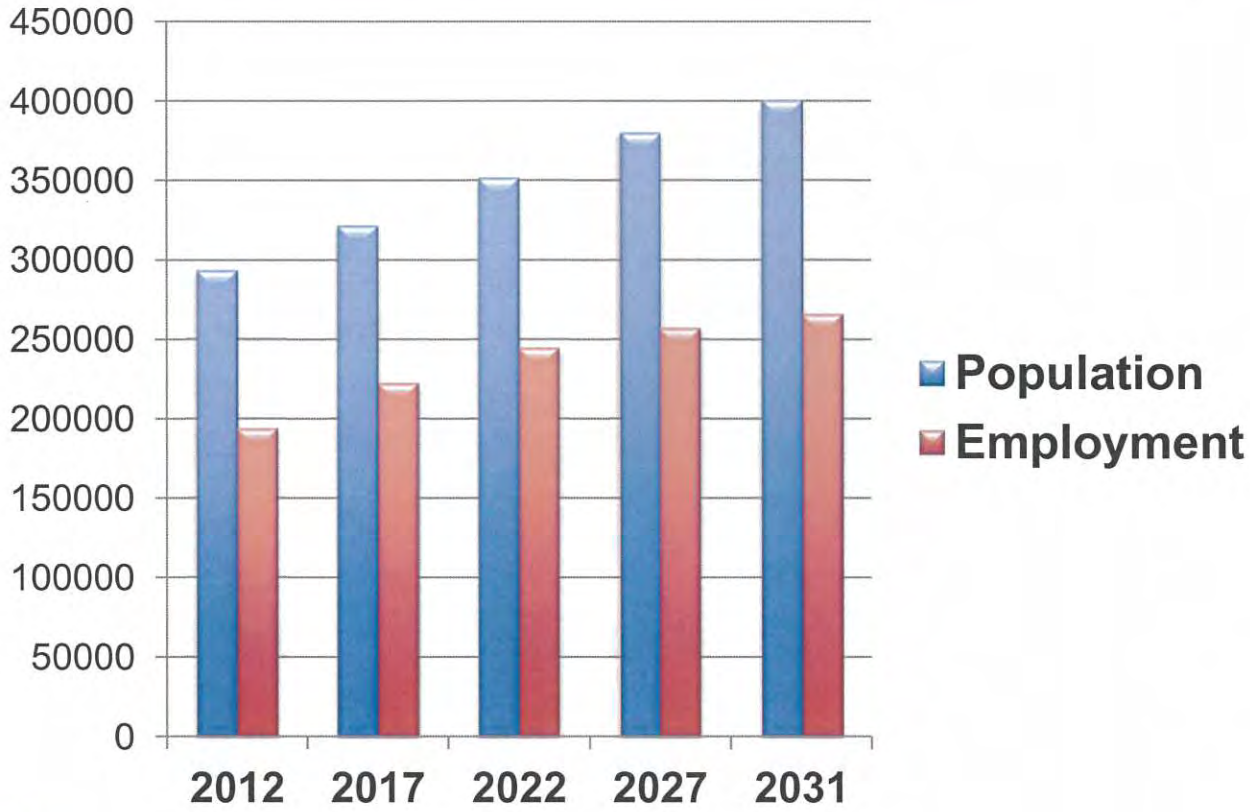
Consultation has been ongoing with the Development Industry

- 1st Stakeholder Consultation Workshop took place on April 4, 2012 with the Building Industry and Land Development Association (BILD)
- Technical and Policy related correspondence and smaller group meetings have been ongoing since 1st workshop
- 2nd Stakeholder Consultation Workshop took place on January 25, 2013 with BILD and representatives of SmartCentres

4. Growth Forecast

Growth assumptions used in draft Background Study

- Population to reach 400,871 by 2031
- Employment to reach 266,098 by 2031



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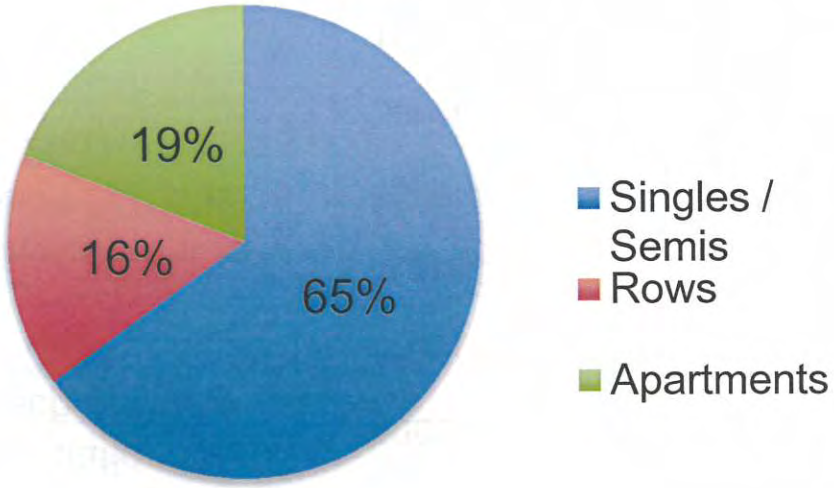
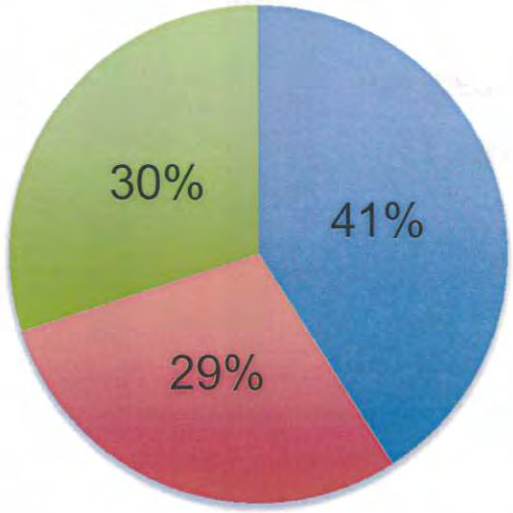
4. Growth Forecast

Type of Household Growth is Changing Over Time

2012 Growth by Household Type



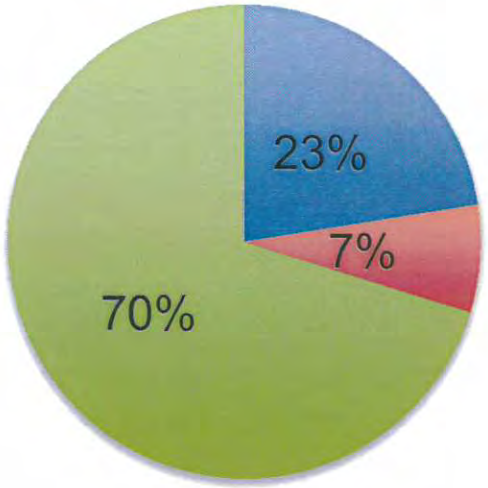
2031 Growth by Household Type



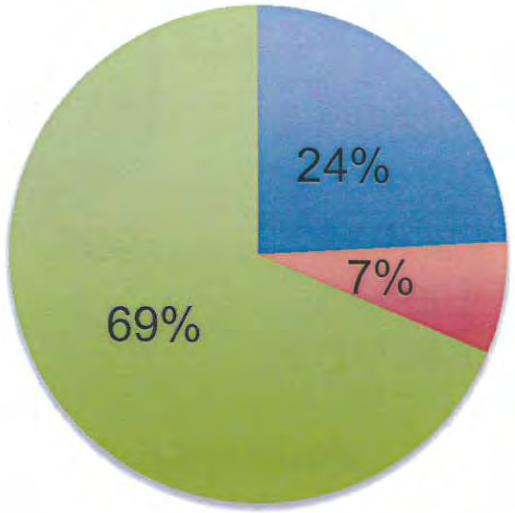
4. Growth Forecast

Type of Employment Growth is Remaining Relatively Constant

2012 Growth by Employment Type



2031 Growth by Employment Type



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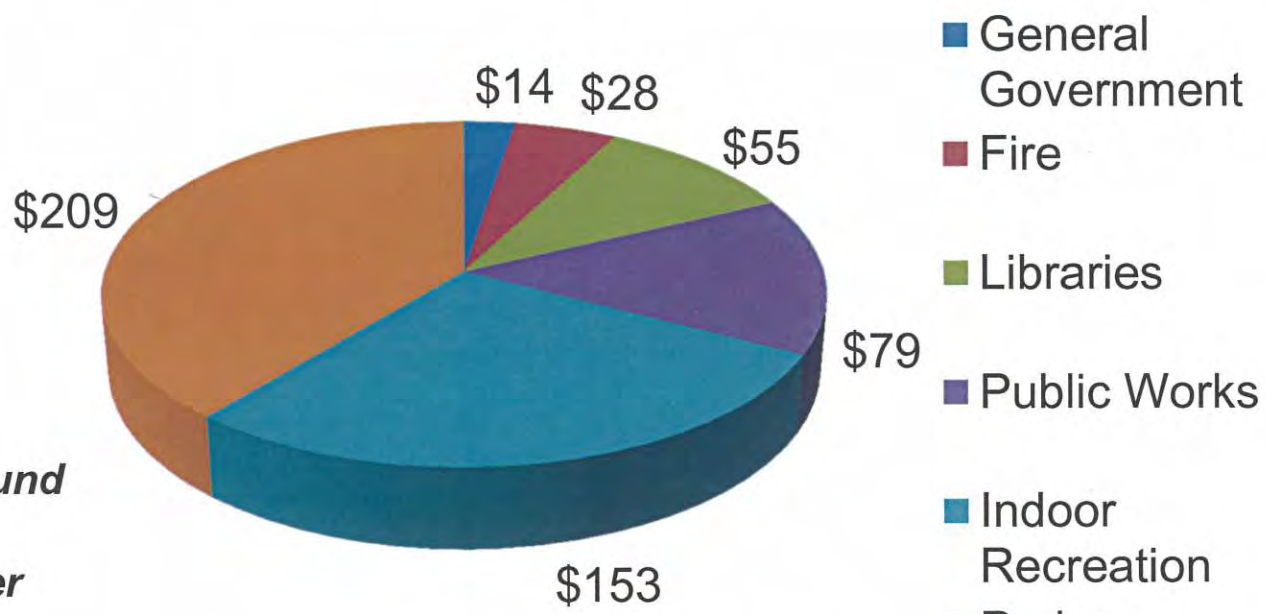
5. Growth Related Capital Program

10 Year Soft Services Program (2012* – 2021)

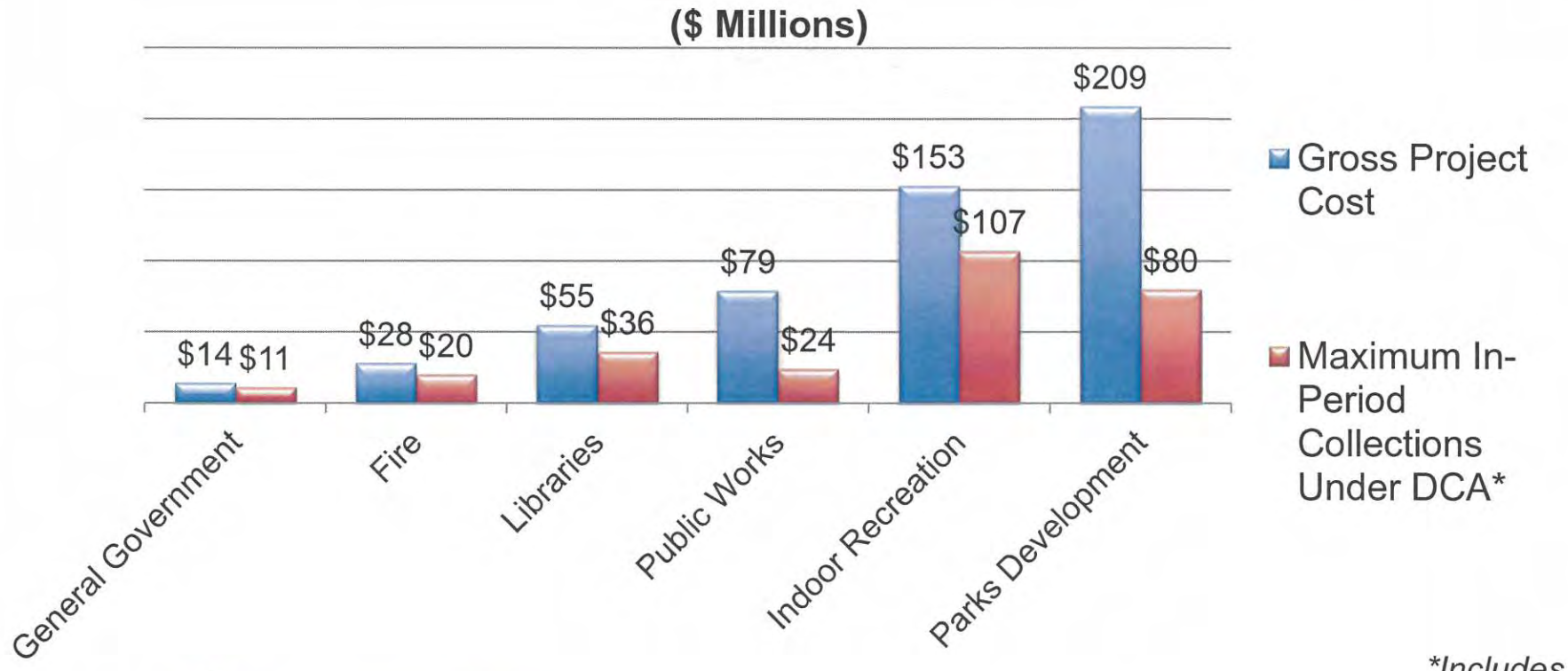
Gross Project Costs ($ Millions)



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

5. Growth Related Capital Program

Soft Service Program Costs Vs. Allowable Collections under DCA



*Includes opening reserve balances

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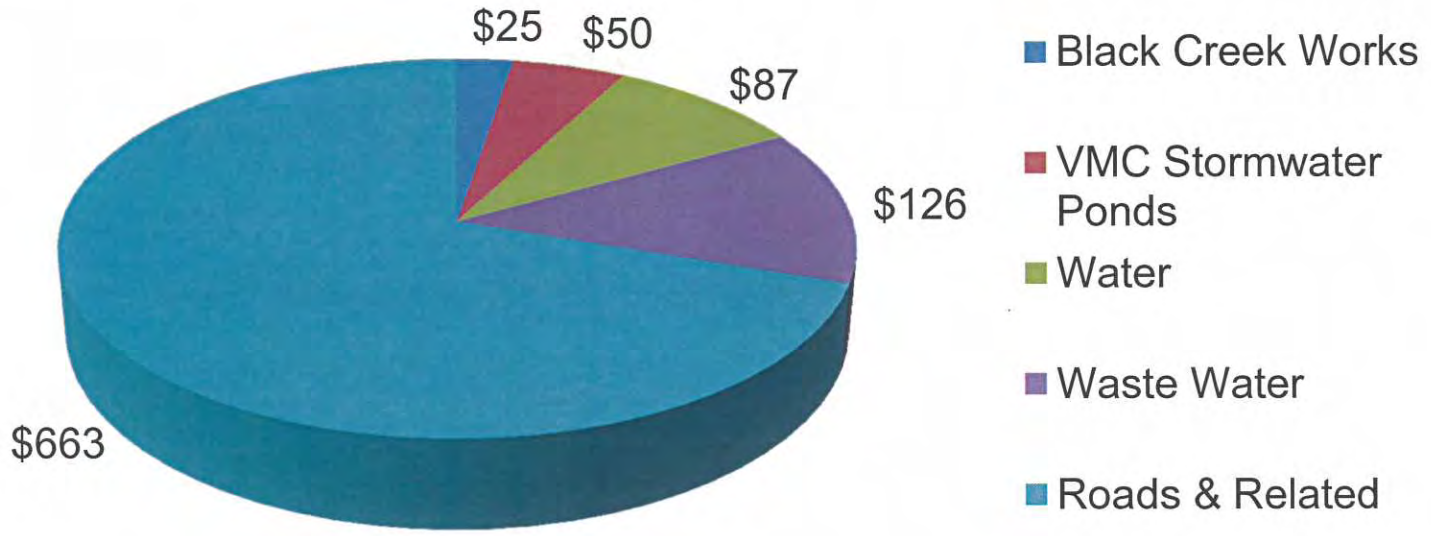
5. Growth Related Capital Program

Engineered Services ("Hard Services") Program to 2031

Gross Project Costs ($ Millions)



6. Types of Development Charges

City Wide Development Charge By-law

- City Wide Development Charges are collected on all growth occurring city wide
- It is assumed that the funds collected are spent on growth infrastructure that benefits the growth occurring city wide (e.g. a new works yard built within the city, services growth for the entire city)
- The following soft and hard services are currently charged on a city wide basis:

Soft Services

General Government	Fire and Rescue Services
Library Services	Public Works: Building & Fleet
Indoor Recreation	Parks Development & Facilities

Hard Services

Roads & Related

6. Types of Development Charges

Special Area Development Charge By-laws (SACs)

- SACs are collected from developments in a specific area to fund infrastructure only benefiting the growth in that same area (e.g. a sewer line that services a specific block of subdivisions)
- The following hard services are currently charged on a SAC basis:

  Water mains
  Waste Water
  Select Storm Drainage Facilities

7. Transfer from SACs to City Wide

Staff are proposing to transfer some potential SACs to City Wide

- Under the draft Background Study the following Engineered Services have been proposed to move from a potential SAC to the City Wide charge:
    - Water Mains ($87M)
        - Includes city-wide network of water mains that is currently required until 2031
    - Black Creek Works ($25M)
        - Includes only a portion of the total costs of the works
- A number of private landowners (separate from BILD) have requested that the City consider moving wastewater infrastructure (meeting a specific criteria) to the City Wide charge as well.

8. City Wide Development Charge Summary

Singles / Semis *Per Unit*	Current Rates	Unadjusted Calculated Rate	Tentative New Rate	
General Services	$8,247	$10,705	$10,705	
City Wide Roads & Related	$4,380	$9,777	$9,777	
City Wide Water		$1,623	$1,623	
Black Creek Works		$458	$458	
Kirby Road		$3,014	$1,507	(½ Post Period)
King / Vaughan Road		$3,341	$0	(Move to Region)
2012 Indexing		$520	$0	(Remove)
Total	$**12,627**	$**29,438**	$**24,070**	

133% Increase

91% Increase

8. City Wide Development Charge Summary

Non-Residential *(Per Sq.M.)*	**Current Rates**	**Unadjusted Calculated Rate**	**Tentative New Rate**	
General Services	$3.03	$5.90	$5.90	
City Wide Roads & Related	$17.16	$36.02	$36.02	
City Wide Water		$6.43	$6.43	
Black Creek Works		$1.82	$1.82	
Kirby Road		$11.94	$5.97	(½ Post Period)
King / Vaughan Road		$13.24	$0.00	(Move to Region)
2012 Indexing		$1.35	$0.00	(Remove)
Total	**$20.19**	**$76.70**	**$56.14**	

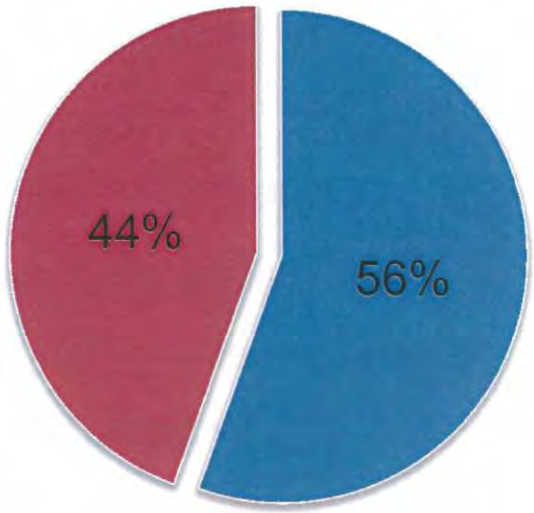
280% Increase

178% Increase

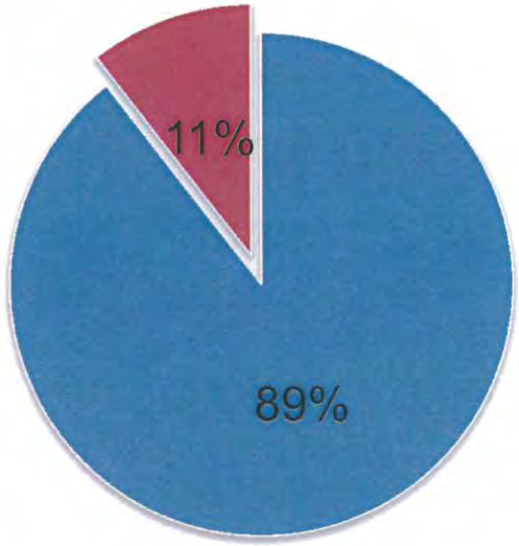
8. City Wide Development Charge Summary

Why the different increase in Residential (91%) vs. Non-Res (178%)?

Residential (Single Detached) Breakdown



Non-Residential Breakdown



The cost of Engineered Services is increasing more than General Services and holds a larger share of the Non-Residential charge, therefore it has a greater impact.

9. Area Specific Development Charges (SACs)

Charges will be finalized with release of Background Study

- One (1) modification to an existing SAC and one (1) new SAC is expected with the release of the Background Study (both for wastewater infrastructure)
- All other potential SACs will be enacted upon completion of the infrastructure over the 5 year by-law period
- Council will be required to pass a new SAC By-law every time potential SAC infrastructure is completed to the satisfaction of the City, but the process for these SAC enactments is expected to be less onerous than the full by-law review process

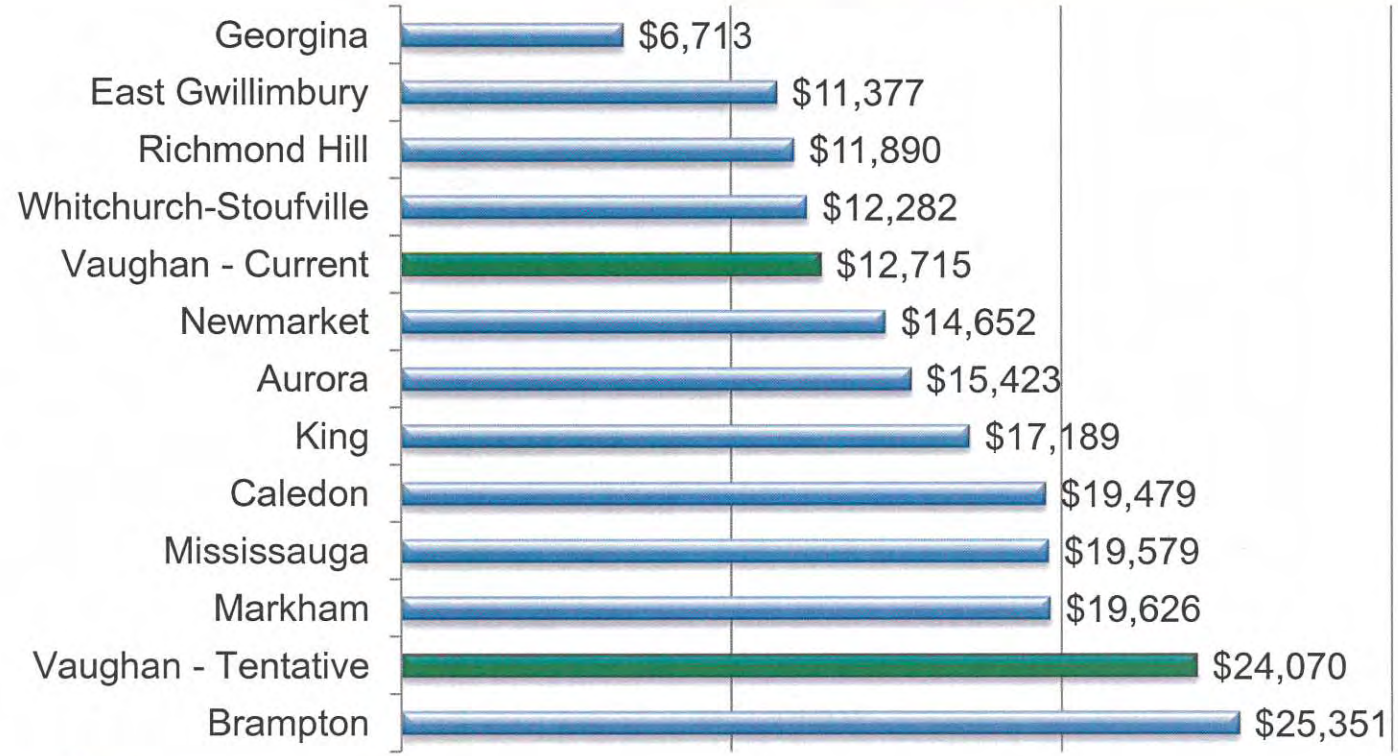
10. Municipal Comparisons

Municipal Comparisons are not always "apples to apples"

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

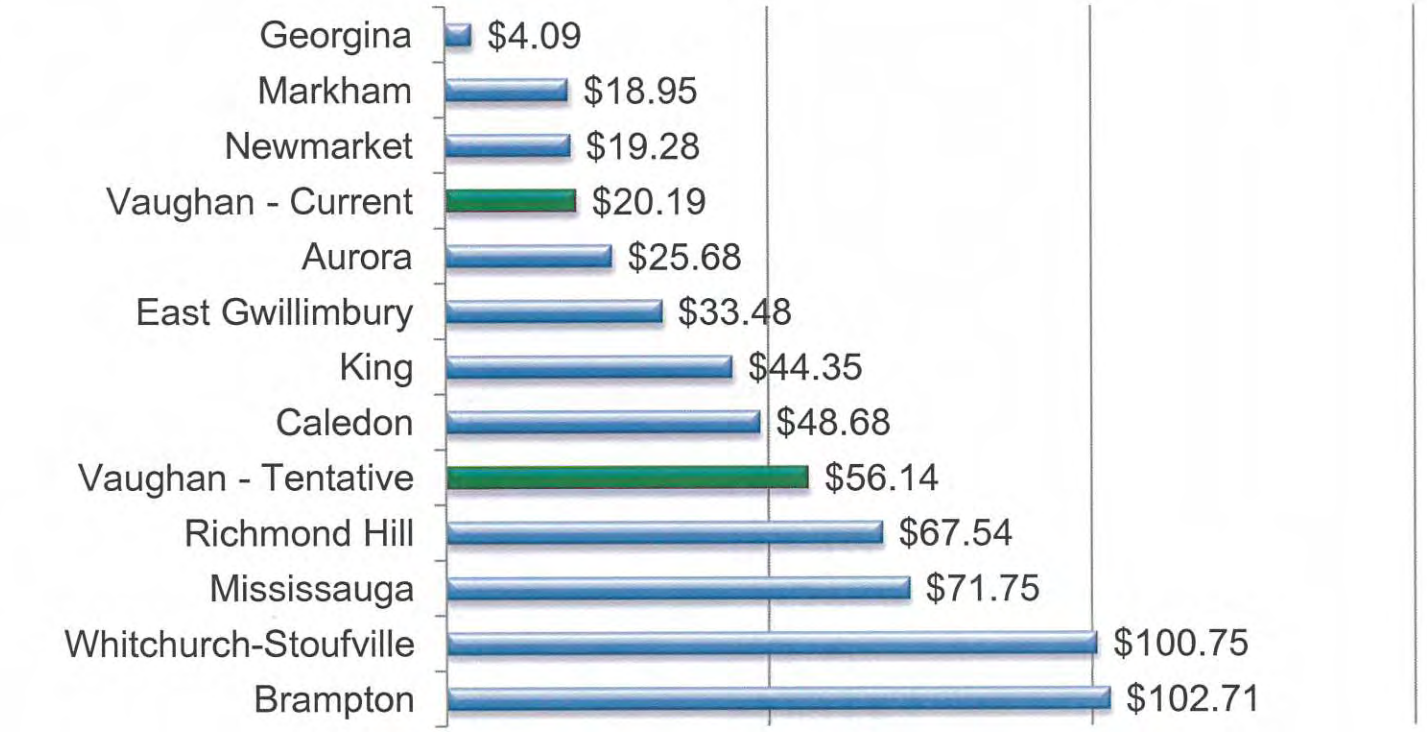
10. Municipal Comparisons

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



10. Municipal Comparisons

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



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11. Policy Issues

"Benefit to Existing"

- Recognition that sometimes new infrastructure not only benefits the new population, but also the existing population
- The City's practice has been to treat the hard services as fully attributable to growth (e.g. no funding from taxation)
- BILD has asked the City to consider adopting York's practice (e.g. average of 10% "benefit to existing" on the roads program)
- The draft Background Study does not deviate from the previous practice. Adopting a practice similar to the Region of York's could have a potential tax impact of $70M - $100M

11. Policy Issues

"Post Period Benefit" – Ontario Municipalities

- Allocating a portion of the cost of a piece of infrastructure to "Post Period Benefit" means that it is assumed that growth occurring after the horizon "period" (2031) is also benefiting from that infrastructure and should contribute to it's cost.
- Growth occurring beyond 2031 may be newly identified growth or a shift of growth from years prior to 2031 outwards
- The collection period is essentially shifted out (instead of collecting from 2013 → 2031 a municipality may recover for that infrastructure from 2018 →2041)
- Recognizing a "Post Period Benefit" is very common on the soft services as the horizon period is limited to 10 years
- For the hard services it is less common to recognize "Post Period Benefit" because municipal OPs and TMPs consider 2031 to be the build-out year

11. Policy Issues

"Post Period Benefit" – Implications for Vaughan

- Staff are proposing that 50% of Kirby Road be recognized as having a benefit beyond the horizon year of 2031 ("Post Period Benefit")
- Recognizing a "Post Period Benefit" on the hard services does not remove the ability of the City to recover the cost of the infrastructure, rather it defers the collection to a future by-law period to spread the cost over growth occurring on a longer timeframe
- It is expected that by the next by-law update in 2018 that the horizon year used in the OP, TMP and the DC Background Study will be 2041 and therefore any current "Post Period Benefit" will become "In Period" at that time

11. Policy Issues

Differentiated Rates for Apartments

- Staff are recommending the apartment rate be differentiated for Large and Small apartments
- There is no financial impact as the costs are distributed between the two apartment types based on average "Persons Per Unit"
- Staff are having ongoing discussions with the industry on the appropriate criteria for defining Large and Small apartments (e.g. Square footage thresholds)
- Staff's current position is to adopt the same threshold criteria as that of the Region of York:
  - 700 Square Feet or Greater = Large Apartment (Until June 2014)
  - 650 Square Feet or Greater = Large Apartment (After June 2014)
- The Region of York's by-law is under appeal, in part due to this criteria, so proposed Vaughan by-law would likely include a tie to the outcome of that appeal

11. Policy Issues

Differentiated Rates for Mixed-Use High Density

- This differentiated rate would only apply to the non-residential portion of a Mixed-Use High Density Development (e.g. ground floor retail/office combined with high density residential)
- It is purported by BILD that a differentiated (lower) rate would help promote density and give recognition to the fact that this type of development reduces the burden on certain public infrastructure
- On that basis draft rates (subject to adjustments) would be calculated as follows (Per Sq.M.):

Current Rates	Tentative – Non-Residential Rates as Per Report	Tentative Mixed-Use Rates – Newly Calculated	February 2013 Tentative Non-Mixed Use Rates – Newly Calculated
$20.19	$56.14	$47.32	$56.30

11. Policy Issues

Office Discount and "Green" Discounts

- BILD has requested that the City consider providing development charge discounts for both office developments and developments that contain "green" sustainable features (e.g. LEED certification, water cisterns, solar power, etc.)
- Staff recognize the economic development and environmental benefits of such a program, however the Development Charges By-law may not be the appropriate vehicle in which to consider these requests
- Any non-statutory discount provided through the Development Charge By-law would require funding of that discount through non-development charge sources (e.g. the tax base)
- These discount requests may be more appropriately addressed in an economic development or environmental sustainability context

11. Policy Issues

Transition / Phase-in Measures

- The development industry has requested a transition or phase-in measures
- Providing a transition or phase-in to the rate may have a financial impact as it would be considered a non-statutory discount
- At the January 25th stakeholder workshop staff presented an approach whereby separate City Wide By-laws are passed for General Services, City Wide Roads & Related, Kirby Road, Water and Black Creek Works. Each by-law would have a different effective date (3, 6, 9 months) and therefore the build-up to the overall rate would be staggered
- The Development Industry has indicated that a longer phase-in period is required to mitigate the impacts on existing contractual commitments
- Other measures are also being considered and will be discussed upon the release of the background study

12. Timelines

Milestones in the process

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

Thank-you & Questions?