CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 20, 2015

Item 3, Report No. 37, of the Committee of the Whole (Public Hearing), which was adopted without amendment by the Council of the City of Vaughan on October 20, 2015.

3 COMMUNITY IMPROVEMENT PLAN FOR THE VAUGHAN METROPOLITAN CENTRE AND WESTON ROAD & HIGHWAY 7 PRIMARY CENTRE

The Committee of the Whole (Public Hearing) recommends:

1) That the recommendation contained in the following report of the Executive Director, Office of the City Manager; Commissioner of Planning; and the Commissioner of Finance & City Treasurer, dated October 7, 2015, be approved;

2) That the presentation by the Director of Economic Development, City of Vaughan, and Mr. John Hughes, Partner, Hemson Consulting Ltd., St. Patrick Street, Toronto, and Communication C8, presentation material titled "*Tools for Encouraging Office Development in the VMC & Weston & Hwy 7 Primary Centre*" dated October 7, 2015, be received;

3) That the following deputations be received:

1. Ms. Paula Bustard, SmartREIT, Applewood Crescent, Vaughan; and
2. Mr. Michael Uster, Liberty Development Corporation, Steelcase Road West, Markham; and

4) That Communication C5 from Marco Filice, Senior Vice-President & General Counsel, Liberty Development Corporation, Steelcase Road West, Markham, dated October 5, 2015, be received.

Recommendation

The Executive Director, Office of the City Manager; Commissioner of Planning; and the Commissioner of Finance & City Treasurer, in consultation with the Interim Commissioner of Legal and Administrative Services/City Solicitor, the Director of Economic Development and Director of Development Finance & Investments recommend:

1. THAT the presentation and study for the Community Improvement Plan (CIP) for the Vaughan Metropolitan Centre and Weston Road & Highway 7 Primary Centre community improvement project areas BE RECEIVED;

2. THAT the draft Community Improvement Plan By-law BE RECEIVED;

3. THAT input from the public and Vaughan Council at the Statutory Public Meeting on October 7, 2015, BE RECEIVED; and

4. THAT any issues identified be addressed by Staff in a comprehensive technical report to Committee of the Whole.

Contribution to Sustainability

Green Directions Vaughan embraces a Sustainability First principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations. The VMC, primary centres and other intensification corridors are fundamental building blocks of the City's growth management strategy and are essential to the long-term economic vibrancy of the City as an office employment centre.

A CIP will facilitate a collaborative approach between the City and development stakeholders in bringing vital office development as an employment cornerstone to the overall growth plan.

Economic Impact

All costs associated with developing the Community Improvement Plan (CIP) have been budgeted within the Economic Development Department's Capital Budget EB-9535-14.

Future financial implications resulting from the approval of the CIP will be addressed through future budget cycles

The financial exposure resulting from the enactment of the CIP has been estimated and is discussed within the body of the report. Upon enactment of the by-law to adopt the CIP, Council will also be approving an order of magnitude amount that will be invested into the program in accordance with the Plan.

Staff will report back annually on the program to provide information on the uptake of the CIP and associated investment by the City. Forgone revenues related to development charges not be made up by charging future development; as such arrangements must be made to fund this shortfall through an alternative funding source such as property tax. There is no requirement to fund the total investment immediately and if Council wishes to do so, the investment could be amortized over a longer term such as 25 years. These commitments will be addressed through future budget cycles and will be subject to Council approval. Unlike development charges, CIL Parkland and property tax discounts are not required to be funded from other sources and are simply treated as forgone revenue.

Communications Plan

Legislative Communication Requirements

The Planning Act has mandatory communication requirements that require the advertising of at least one public hearing and the Clerk is mandated to carry out such advertising at least 20 days in advance of the meeting date. The Public Statutory hearing was scheduled for October 7, 2015 and was advertised using a number of channels to optimize public awareness. This included advertising in the Vaughan Citizen and Vaughan Liberal on September 10, 2015. An email broadcast was also sent to all landowners in the identified community improvement project areas. Other methods of notification employed in the Statutory Public Meeting are set out below:

- Vaughan TV
- *City Update*, the City of Vaughan's e-Newsletter
- City's electronic newsletter, *Vaughan e-Business Link*
- City Page Online
- City of Vaughan's Twitter and Facebook accounts
- City's website, www.vaughan.ca/vmc
- Notification was also sent out through the Local Councillors Ward Newsletters.

Both advertising of the hearing as well as pertinent information such as the draft proposed CIP study and by-law was also made available on September 10, 2015 on the City's website, www.vaughan.ca/VMC/CIP. As of September 23, 2015, no comments have been received.

Subsequent to Council approval of the CIP Study and the CIP by-law, appropriate notices will be advertised as prescribed by the Planning Act.

Purpose

The purpose of this report is to provide a summary for Members of Council and members of the public of the proposed CIP plan and CIP by-law (Attachments 1 and 2) for the purposes of hearing public input on October 7, 2015. The intent of both documents is to establish provisions allowing for the CIP and authorization to bring forward for enactment a by-law designating the VMC and Weston Road and Highway 7 Primary Centre as the Community Improvement Project areas.

Background – Analysis and Options

Building the Vaughan Metropolitan Centre – Office Market Study

In September 2012, Staff tabled a report entitled *Building the Vaughan Metropolitan Centre – Office Market Study* at the Vaughan Metropolitan Centre Sub-Committee. The Study completed by Live Work Learn Play (LWLP) provided an initial assessment of the competitiveness of the Office Market within the VMC relative to other Greater Toronto Area (GTA) office nodes. The Study found that the urban office forms envisioned for the VMC placed it at a competitive disadvantage, notwithstanding the presence of a subway. While the subway was a ‘nice to have’ amenity, it was not sufficient enough to attract office tenants who still sought parking amenities. The office rents required in the VMC placed it above those in Markham/Richmond Hill, North York and Mississauga Airport Corporate Centre. These competitor locations provided options with existing and greenfield office products compared to only greenfield projects in the VMC. Successfully attracting office tenants requires a narrowing of the rent gap, either through reducing costs or increasing the real or perceived value of an office location in the VMC.

Comprehensive strategy and study structure to achieve Vaughan Official Plan policies

In order to compete within this complex office market Council tasked staff with creating a comprehensive strategy to address incentive issues with regard to office development city-wide and in particular in the VMC area as a method to narrow the identified rent gap. The goal of this strategy is to fulfill Council’s request to achieve a mix of non-residential uses in the VMC that will serve the greater population of the City and to develop densities supportive of high-order transit.

Staff wanted to further understand the need for, and magnitude of any office incentive programs that would be required. Staff retained the Altus Group Limited to conduct an Office Development Pro Forma Scenario Study in order to understand the financial challenges being faced by developers of office buildings. This report compared the VMC to several other competitive office sub-markets and estimated the rental rates that would be required in order to make the VMC competitive in the office market. A cursory examination was also completed on incentive tools that are available to the municipality to give the developers a competitive edge when considering when and where to construct an office building.

Transit investment alone is not enough to overcome market disadvantages in Vaughan

The Altus study found that despite the significant transit investment in the VMC area, it would not be enough to trigger office or mixed-used development. It also found that the gross rents in the VMC would most likely be higher than other competing office markets in the GTA and that there may be a cost disadvantage in both existing and new-construction Class A space.

It was also apparent that although Vaughan is competing on a near level playing field for new office development when compared with other competitive markets, the cumulative effect of current rents, high land values, and increasing vacancy rates for office across the GTA all cause the new office development that will be available in the VMC to become less enticing to potential office tenants, when it is compared to the existing office product that is available in the GTA. As a result of these findings Altus identified a series of CIP tools that are available to municipalities that would assist in reducing the gap between current market rents and rents required to justify new construction.

The results of the study were brought forward in a staff report entitled "*Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development*" (Item 4, Report No. 2 of the Priorities and Key Initiatives Committee) and adopted by Council on May 27, 2014. It directed City staff to initiate a Community Improvement Plan Study to support and accelerate office development in the VMC and other intensification areas. Staff issued a Request for Proposal (RFP) in September 2014, and through a competitive bid process, the successful proponent was retained the services of Hemson Consulting Ltd. and Urban Strategies Inc. (RFP # 14-286).

CIP Study Methodology

The methodology for constructing the CIP comprised of three main phases: background research and consultation, the development of the CIP program, and implementation and action planning. The actions in each phase are explained below:

Phase 1: Background research and consultation

- The first phase of the CIP study consisted of data collection, analysis and identifying the CIP boundary area. The purpose of phase one was to identify specific issues that the CIP would aim to address, review current policy and best practices in other jurisdictions, and gain insight from City of Vaughan staff, public sector stakeholders and private landowners on how a CIP could best serve all parties.

Phase 2: Development of the CIP program

- Based on the results of research and stakeholder consultation in phase one, a draft community improvement project area was selected and CIP incentives were established. Phase two exercises included determining the rationale for incentive programs, establishing where incentives should apply, selecting the appropriate financial and policy-related incentive tools, and determining CIP program parameters and eligibility criteria that would target the specific issues related to office development, while still being mindful of the limitations on existing tax based funding sources. Following this work, the consulting team prepared a draft CIP and CIP By-law and circulated it to stakeholders for further review and consultation through the public meeting process.

Phase 3: Implementation and action planning

- Bringing together the work completed in phases one and two, the third phase of the project is currently underway and is comprised of the preparation of internal process maps, agreement and application templates and the development of a program for marketing and monitoring after implementation.

Phase 1: Background Research and Consultation

Further to the previous studies conducted, Staff worked with Hemson to develop a more fulsome economic picture of the current office conditions in Vaughan. This analysis coupled with extensive consultation with the development industry was undertaken to provide further rationale for a CIP and to assist in identifying the specific issues that could be used to develop the CIP in order to support office development in key areas.

The CIP as a tool for transformational shift from a large industrial centre to a regional office node

With more than 71 million square feet of industrial inventory, Vaughan is the fourth largest industrial market in the GTA after Toronto, Mississauga and Brampton. Comparatively, Vaughan's office market contributed approximately 2.6 million square feet of space (of which Class A accounts for only 1.49 million square feet).

While Vaughan's industrial strengths have served it well in the past; current and future economic trends point to a declining manufacturing sector as more production and jobs shifts to lower cost locations in other parts of North America and Asia. Manufacturing is slowly giving way to distribution uses, as well as the retail sector. To mitigate these macroeconomic changes, the City must consider attracting businesses that will attract emerging industries such as professional, scientific and technical services, life sciences, educational services, head offices, creative and knowledge industries. Furthermore their business operations require an office setting that is transit accessible, and within amenity-rich, dense urban environments as envisioned for the VMC.

Vaughan requires a competitive edge to surpass its competition

According to Cushman & Wakefield's media release (July 17, 2015), the office market in Toronto Downtown South area (around Union Station) saw vacancy run out (at 1.7% vacancy), at the expense of older office stock elsewhere. Toronto's Financial Core is expected to still see strong market interest, but the office markets in the 905 areas are not expected to fare as well. The Q2 2015 Colliers Office Market report shows that Vaughan's vacancy rate for Class A office space is significantly higher (12.6%) compared with Markham Centre (5.8%) or Highway 404/Highway 407 (6.7%). The Mississauga Airport Corporate area leads with a 17.9% office vacancy rate. In the coming quarters, Vaughan's statistics may reflect a slightly lower vacancy rate as several recent office transactions at Applewood and Keele Street may not be reflected in the statistics.

LWLP's report, *Vaughan Metropolitan Centre Reconnaissance & Strategic Assessment, May 2015,* provides some insight into the 905 office market. Brokers have cited that there is a large supply of GTA office sites relative to demand, a condition exacerbated by conversions and adaptive reuse of industrial space for office functions. Furthermore, the 905 areas have a higher cost to build relative to other markets and Downtown Toronto has enjoyed renewed appeal as an office market as employers are increasingly using higher quality of life as attractors of talent: easy commute; close proximity to amenities and services; extracurricular offerings and housing options.

In comparison, the 905 areas are built around office clusters in specific sectors. For example, Mississauga's office clusters are associated with financial services and biotechnology and Markham's cluster is focused on information and communications technologies (ICT).

Vaughan's office market is not well understood

To date, Vaughan has a weak office cluster affiliation which combined with low awareness as an office node, makes it a difficult task to raise its level of competitiveness. This is supported by LWLP's findings:

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- Vaughan is underperforming relative to the wider 905 for total office leasing market.
- Vaughan has a lower number of transactions in the last three years (Vaughan: 122; Markham: 172; Mississauga: 199) and a lower total square footage of leased office space (Vaughan: 209,364 square feet; Markham: 392,742 square feet; Mississauga: 414,764 square feet).
- Vaughan's inventory of 2.6 million square feet is the lowest among its competition.

Notwithstanding this pattern, Vaughan has started to experience a tightening of its office market with recent lease transactions: Holcim, Golf Town and Mattamy Homes. However with the softening Canadian economy, it is difficult to predict the longevity of continued office investment; nevertheless this is the point in time that the VMC must either start its development or risk being postponed to the next upward economic cycle. The beginning of office investment produces employment and economic benefits, increased local spending and generation of taxable assessment.

Major office development is a pillar of Provincial Growth Plans

Referencing one of the primary goals of the Province's Growth Plan for the Greater Golden Horseshoe: to create 'complete communities'; building large scale office spaces in the VMC, generates local employment opportunities for residents which in turn reduces automobile dependence. According to Statistics Canada, there are more than 13,900 office sector employees living in Vaughan, whereas only 12,000 of these employees also work in Vaughan resulting in a net out-commuting scenario. Using a conservative estimate of 27 square metres per employee, the 139,355 square metres (1.5 million square feet) of anticipated office space in the VMC, would correspond to 5,160 jobs. Diversifying Vaughan's business base to include more office employers could help alleviate transportation and traffic issues associated with commuting, and support public transit infrastructure investments.

Broadening Vaughan's industry sectors benefits residents and existing businesses

In addition to matching Vaughan residents' skill sets, training and development to office employers, there are other economic development goals that can be accomplished with more office growth. More office opportunities will allow the City to attract those business-to-business (B2B) support services that are vital to a vibrant economy. The City's Economic Development Strategy speaks to attracting financial institutions, real estate, insurance, technical, business and professional practices and creative industries. This tertiary sector provides 'soft' services or activities where people offer their knowledge and time to improve productivity, performance potential and sustainability bolstering business competitiveness and growth. Limited local capacity in the tertiary sector presents an opportunity for incoming firms. The attraction of 'Bay Street' firms such as KPMG and Deloitte, with their international expertise and reach, draws other ancillary service providers and creates demand for hospitality, entertainment and retail services.

Office construction benefits the provincial and local economy

Based on Statistics Canada's Input-Output Multiplier, the development of 139,355 square metres (1.5 million square feet) of office space would lead to $540 million in direct, indirect and induced Gross Domestic Product (GDP) and 6,400 construction sector jobs. At the local level, the construction and building sector is one of Vaughan's most important industries, employing more than 18,000 people. From land development; building product manufacturing; training; construction trades; furniture and fixtures to associated retail sales; the construction industry influences the provincial and national economy with direct, indirect and induced spending, sales and jobs. The following table illustrates the breadth of construction-related industries in Vaughan and the well-paying, highly skilled jobs they provide.

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Sample of the Employment Associated with Construction in Vaughan, 2014

North American Industrial Classification Code	Industry Sector	Industry Sub-sector Product/Service Description	Number of Businesses in Vaughan	Total Employment in Vaughan
23	Construction	Non-residential building contractors and land development services	710	18,459
32	Manufacturing	Manufacture of building products including windows, doors, concrete, brick, millwork, etc.	216	6,952
33	Primary Metal Industries	Steel structures, plumbing fixtures, welding services	325	9,736
41	Wholesale Trade – Structure	Building materials distribution including lumber, plastics, electrical, HVAC	223	3,715
TOTAL			**1,474**	**38,862**

The KPMG Tower, currently under construction, provides a more concrete example of localized spending. With four possible levels of certification (i.e. certified, Silver, Gold and Platinum) under the LEED® (Leadership in Energy & Environmental Design) rating system, an international mark of excellence for green building, the KPMG Tower will be built to LEED® Gold rating. In order to achieve this rating, there are certification points that can be accumulated from regional content, i.e. use of locally sourced materials from within 800 kilometres of the project site. A sample of the materials sourced locally include curtain wall, concrete and cement, vapour and waterproofing membranes, stone and tile. In addition, many of the subtrades are from companies within the local area.

Driven by tenant demands and planning policies, such as the VMC Secondary Plan, new office development projects coming on stream will be required to meet green building standards, which usually include a portion of local materials and labour. While the initial faces of these office development projects begin with the developer or landowner, it quickly transforms to become one that is about people – people who develop and manufacture the thousands of building products; skilled tradespeople whose craft is transform blueprint drawings into reality; and office tenants whose daily operations provides jobs, pay cheques and spending.

Assessment of Financial Incentives throughout the Greater Toronto Area

An examination of the current CIPs in place across the GTA reveal that the City of Toronto is the only municipality with an operational CIP program that bears similarity with what is being contemplated by Vaughan. The City of Toronto enacted a city-wide CIP in 2008 (updated in 2012) providing development charge exemptions (office and retail – all gross floor area above the first floor is exempt); a Tax Increment Equivalent Grant (TIEG) and Brownfield TIEG and sector-specific financial incentives, under the Imagination, Manufacturing Innovation and Technology (IMIT) program.

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Within York Region's larger urban municipalities, Richmond Hill is proposing a TIEG incentive program, but the CIP has not been completed, nor does Markham have a CIP implemented. In Peel Region, Mississauga is developing a CIP for the Mississauga Exchange District, targeting office development. Brampton employs development charge incentive programs to support its Downtown Core.

Public and Stakeholder Consultations

From the outset, the Hemson Consulting and City of Vaughan staff recognized the importance of a comprehensive public consultation strategy to ensure successful implementation of the Community Improvement Plan. Under staff direction, Hemson Consulting Ltd. designed an extensive public consultation strategy to engage and solicit feedback from the public, as well as the individual land owners who will be directly impacted by the CIP. This strategy included group consultation sessions, through which all landowners in the geographic area identified in the community improvement project area were invited to review the draft CIP and provide feedback, as well as one-on-one meetings with VMC and Weston & Highway 7 area landowners to engage stakeholders in a more intimate setting.
The second part of consultation strategy, included the engagement of other levels of government to solicit feedback on the draft CIP report and to seek participation in the Community Improvement Plan by offering incentives for office development within the community improvement project area. York Region and the Ontario Ministry of Municipal Affairs and Housing were identified as the key public sector stakeholders.

As a part of the development of the CIP, consultation has taken place between the City, development industry stakeholders and community to inform the CIP plan development process. In addition to the staff meetings with the City's working group, CIP Steering Committee, and Senior Management Team, Hemson Consulting Ltd. and Urban Strategies Inc. has engaged with the development stakeholders at the VMC Working Group sessions.

a. **The Kick-Off Meeting** – the initial CIP landowner consultation meeting took place as an agenda item at the VMC Working Group session held by LWLP on March 4, 2015. Located at the Monte Carlo Inn in Concord, it was attended by approximately 18 people representing the VMC landowners, the Region of York, and City Staff.

b. **Landowners One-on-One Consultations** – Hemson Consulting Ltd. and Urban Strategies Inc. contacted all of the major landowners within the VMC and the Weston Road and Highway 7 Primary Centre to request one-on-one consultations. Each landowner group was provided with a copy of the presentation delivered to the VMC Sub-Committee meeting on June 11, 2015. Five groups accepted the invitation: SmartReit, Liberty Development, Omega Holdings, Bentall Kennedy and Royal Centre. Several attempts were made to consult with RioCan in the Weston and Highway 7 Primary Centre, but no response was received.

c. **Landowners Meeting** – Following the one-on-one consultations with VMC landowners, the consultants regrouped with stakeholders at the VMC Working Group session on July 16, 2015. At this meeting, Hemson presented the group with the findings from their stakeholder consultations.

Input Received Through the Consultation Process

The following chart presents a list of the comments and questions raised during the landowners' consultations, and the responses drafted by the City in consultation with Hemson and Urban Strategies.

Comment/Question	Responses
Consider adding further incentives for mandatory offices in VMC	• Mirror Region's 18 month DC deferral policy for office space in VMC only. • This incentive was added to acknowledge the importance that the City places on the VMC.
Why is Weston/7 treated the same as VMC?	• This site is adjacent to VMC and shares many characteristics. • Transit access provides an appropriate link to the VMC and is an excellent location for major office.
Why aren't GO stations included in CIP area?	• The Metrolinx plans are still being developed. • The planning permissions are less refined (OP). • The expectation is for high density residential in the short term. • These locations can be added at a later date if it is deemed necessary down the road.
The City should continue to advocate for Regional participation	• The City will continue to advocate this point through a Council motion.
	• The Region has the ability to implement a CIP to facilitate development. • The City's Consultants sent a memorandum to the Region to request participation which is attached as an appendix in the CIP report. • A report was tabled by the Region entitled "York Region Office attraction Review" which did not include a recommendation for financial incentives, but rather described the need for a marketing and communications plan for attracting office development. A copy of this report is attached as an appendix to the CIP report prepared by the City's consultants.
The City should continue to advocate for Provincial participation	• The City will continue to advocate this point through a Council motion.
	• The province is able to provide grants and other incentives through section 37 of the Planning Act. A memorandum to the province will be drafted and will be sent through a council resolution.
It may take longer than five years to reach 1.5M sq. ft. threshold	• Note that council will have the ability to renew or amend the program if it is deemed appropriate at the end of the five year term. • Currently the program is designed in such a way as to encourage early acceleration of office development and as such it is not recommended that the program be extended beyond the five year horizon at this time.
What is the status of City's establishment of parking authority?	• The City anticipates that an external consultant will be retained early next year to facilitate a parking strategy, which will look at several different components including the potential for a parking authority.

Consider exempting offices from s 37. if all parking is provided underground	• Staff feel that the program is adequate and balances the objectives of the strategy and the limitations on existing tax-based funding sources. • These types of concerns can be addressed through Section 37 guidelines and the VMC Secondary Plan process.
Parking Ratio Requirements are too high; can this be addressed in the CIP?	• These ratios are driven by tenant demand. • The current ratios are believed to be reasonable and can be reassessed once the impact of TTC subway/VIVANext is better understood.
Will lost CIL revenue affect the City's ability to acquire parkland in the VMC?	• Developing quality parks in the VMC is very much a priority to the City, as they have a positive influence on placemaking. • The hope is that the forgone revenue will be mitigated to a certain extent by stand-alone office, which does not contain a residential component.
Provide further emphasis on the macro benefits of the program	• These benefits are further outlined throughout the body of this report and the draft CIP Study.
Note the amount of qualifying office space under construction to date that will be included in the program retroactively	• These figures are estimated in the draft CIP Study but further refinement will be required in order to finalize the total GFA to be received into the program retroactively. • To reach the office size threshold, the qualifying area must be part of the same building permit.
Provide a note on the experience being leveraged from other municipalities	• The CIP study contains a survey of CIP policies from various locations throughout the GTA. • Pro-forma comparisons between Vaughan and other office markets were done in previous studies to understand how Vaughan fits within the market.
Provide further information on the CIP Implementation and Marketing Plan	• The CIP Implementation and Marketing Plan is outlined in greater detail within this report.
What are the boundaries of the Community Improvement Project Areas?	• The community improvement project areas include both the VMC and the Weston Rd & Highway 7 primary centre. • The boundaries of these project areas are located on the maps provided in Appendix A of the draft CIP Study.

d. **Informed industry associations of the CIP Study**

Hemson Consulting Ltd. contacted the Building Industry and Land Development (BILD) Association and NAIOP, the Commercial Real Estate Development Association to inform both groups of the upcoming CIP Study and community improvement project areas. These groups will be included in the email broadcast that is planned to inform them of the release of the draft materials.

e. **Consultation with the Region of York and the Province of Ontario**

As part of the overall communication process, staff representatives from the Region of York were invited to participate at the working sessions held by LWLP on March 4, 2015 and July 16, 2015. At these meetings representation from the Region was informed of the City's efforts to establish a CIP. Further to these working session discussions, a formal memorandum was sent by City Staff and Hemson to request Regional participation through the adoption of tax equivalent grants and development charge reductions in the CIP project areas included in the City's draft CIP Study.

In April 2015, the Economic Strategy Branch at York Region tabled a report entitled *York Region Office Attraction Review* in which they have signaled their intentions to embark on the development of a marketing and communications plan for attracting office development rather than providing financial incentives.

The Province of Ontario was also contacted as a part of this process and a memorandum requesting Provincial participation has been drafted. This memorandum can be sent to the Ministry of Municipal Affairs and Housing through a council resolution. Historically the Province has not provided any contributions to local or regional municipality incentives in support of a CIP, which makes Provincial participation very uncertain.

Phase 2: Development of the CIP Program

What is a Community Improvement Plan?

Section 28 of the Planning Act defines a Community Improvement Plan as "a plan for community improvement of a community improvement project area" where the following definitions apply:

Community Improvement means:

The planning or re-planning, design or redesign, re-subdivision, clearance, development or redevelopment, construction, reconstruction and rehabilitation, improvement of energy efficiency, or any of them, of a community improvement project area, and the provision of such residential, commercial, industrial, public, recreational, institutional, religious, charitable or other uses, building, structures, works, improvements or facilities, or spaces therefore, as may be appropriate or necessary; and

Community Improvement Project Area means:

A municipality or an area within a municipality, the community improvement of which in the opinion of council is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason.

The Act provides that where there is an official plan in effect in a local municipality that contains provisions relating to community improvement, the Council may, under Section 28(2) of the Planning Act, designate the whole or any part of the municipality covered by the Official Plan as a Community Improvement Project Area. Vaughan Official Plan 2010 contains policies relating to Community Improvement in Section 10. Area-specific policies are also provided at the Secondary Plan level (e.g. the Vaughan Metropolitan Centre Secondary Plan).

Once the by-law designating the Community Improvement Project Area(s) has been enacted, the Council may provide for the preparation of a plan "suitable for adoption as a community improvement plan for the community improvement project area".

Establishing the Community Improvement Project Areas within Vaughan

Through the study process, Hemson examined a series of primary centres and priority areas as candidates for designation as a Community Improvement Project Area (CIPA). The areas examined included: the VMC; Weston Road & Highway 7; Yonge & Steeles; Steeles from Keele to Jane (OPA 620); Vaughan Mills Centre; GO Stations (Concord Centre); Bathurst & Centre; and the northwest corner of Jane & Major Mackenzie.

The study took into consideration: alignment with the City's growth objectives; development timing and readiness; and integration with current and future infrastructure investments. Based on these criteria, the two Community Improvement Project Areas (CIPA) selected include: the VMC (Schedule A of By-law xxx-2015, Attachment 2) and the primary centre at Weston Road & Highway 7 (Schedule B of By-law xxx-2015, Attachment 2). There is a strong and strategic rationale for the selected CIPAs. The City needs to place its focus for office development squarely within the City's new downtown, driving investment into an area that is considered to be an Urban Growth Centre, Vaughan's Regional Centre and an Anchor Hub under the Metrolinx's "Big Move" Plan. It is the nucleus of significant public transit infrastructure investment originating from all levels of government.

Although the Weston Road & Highway 7 Primary Centre CIPA is not technically within the 'downtown' or VMC, its shares a number of characteristics: integrated transit infrastructure, high quality design environment, amenity-richness and is relatively close to being investment ready – all factors which made it a strong consideration for a CIPA.

While the other centres are worthy of consideration, implementing a CIP across all the priority areas would dilute the City's efforts to drive office investment into the downtown area. As well there is a limited scope for office development in other primary centres in the shorter term that may be attributed to a lack of infrastructure (including higher order transit), development process timing and availability of funding. These other centres can be revisited as part of a future review of the CIP.

Establishing CIP Eligibility Criteria

The intended goal of this CIP Program is to support the acceleration of office development in the VMC and primary centres by allowing for more competitive office rents. Under the terms set forth, the CIP Program is intended to focus on developing 139,355 square metres (1.5 million square feet) of office space, complementing the residential and commercial developments that are also anticipated in the VMC and Weston and Highway 7 Primary Centre. It is proposed that the CIP program will cease once 139,355 square metres (1.5 million square feet) of office space has been achieved under the CIP or the CIP by-law has been in force for five years, whichever occurs first.

In order to access the CIP Program, developments must meet the following qualifications:

- The development must be located within the Community Improvement Project Areas, as identified in Schedules A and B of By-law xxx-2015;
- Proposed office development must be a minimum of 10,000 square metres (107,639 square feet) or larger as measured at the time of the first above grade Building Permit issuance;
- The qualifying space may be located in multiple buildings to meet the 10,000 square metre requirement as long as it is included on the same building permit; above ground building permits issued on or after January 1, 2014 (will be retroactively applied); and

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- The development must be considered as an Office use under the Municipal Property Assessment Corporation (MPAC) assessment. Tax Increment Equivalent Grants (TIEG) only apply to the office portion of a mixed-use building, other tax classes located in the same land or building that the office use applies, such as commercial, residential or surface parking areas, would not be eligible for TIEG financing; and Residential units must be part of the same Site Plan or Subdivision Agreement in order to qualify for the residential CIL residential discount.

Selection of Financial Incentives and Planning Tools to Spur Office Development

The Planning Act provides a variety of flexible financial tools and other incentives that may be applied to a community improvement project area through a CIP framework. A detailed review of the various tools available resulted in a group of financial incentives that were recommended by Staff on May 27, 2014 to support and accelerate office development in the areas described within this report. Hemson and Urban Strategies reviewed the three categories of incentives selected and deemed them to be relevant for office development in the Community Improvement Project Areas with only minor adjustments. These incentives include: Development Charges (DC) Grants/Reductions; Tax Increment Equivalent Grants; and Cash-in-Lieu of Parkland (CIL) Reductions.

Development Charges Grant/Reduction and DC Deferral

As a part of the CIP, it is proposed that the City provide a DC grant/reduction in the form a DC rate “freeze” to incent the development of office space. The DC discount being proposed would essentially equate to a freezing of DCs at the rates in effect before the enactment of the new 2013 DC by-laws. Through this program, the DC rates would be payable at the rate of $20.35 per square metre while other forms of non-residential development would pay according to the current rates identified in the new by-laws (currently $53.68 per square metre). The “Freeze” would only apply to the office use portion of mixed use development and residential/retail commercial portions would continue to pay the normal DC rates in accordance with the by-law.

It is important to note that the City’s portion of the total DC is small compared to that of the Region of York. However, given the competitive pressures facing office development the avoidance on new City DC rates will still provide a partial offset of capital costs.

Furthermore, through consultation with the development industry it was deemed appropriate for projects located with the VMC area (Schedule A of By-law xxx-2015, Attachment 2) to be eligible for an 18-month deferral on DC payment subject to a letter of credit being supplied to the City for the entire deferral amount. The payment will be deducted from the letter of credit in full, 18 months after the building permit is issued. This allowance is consistent with York Region’s current DC deferral policy for high rise office development.

Tax Increment Equivalent Grant (TIEG)

A TIEG is a financial incentive that is only available through a CIP, and is designed to offset the increase in property taxes experienced as a property is developed or redeveloped. This grant takes place in installments over a certain period, typically ten years. Each year, the grant declines in value by a set percentage over the prescribed time period. The TIEG program envisioned to form a part of Vaughan’s CIP would begin at 70 per cent and would last over a ten year period. The TIEG is meant to directly help offset annual operating costs and therefore economic rents. It should be noted that the City only has purview over the lower-tier municipal portion of the tax assessment.

…/14

It is proposed that only uses defined as Office use under MPAC assessment be applicable for TIEG. Furthermore, TIEG would only apply to the office portion of a mixed-use building, and other tax classes located in the same land or building that the office uses occupy would not be eligible for TIEG financing.

Cash-in-Lieu of Parkland Exemption / Reduction

Another tool available through the CIP is a grant or reduction of CIL Parkland. This tool would waive collection of 2 per cent of the land value for office space is not overly onerous on its own since office spaces greater than 10,000 square metres in intensification areas are usually of a higher density built form.

The larger effect of CIL of Parkland contributions will be experienced by mixed-use developments wherein high density residential is mixed with office development of spaces greater than 10,000 square metres. The combination of these types of developments is desirable from an urban development perspective and the development industry has indicated that combining these uses is an economically viable way to develop office space. It allows the cross-subsidization of residential revenues offsetting the capital and operating costs of office spaces.

The CIL of Parkland tool being proposed for the VMC is a lever that provides one unit of high density residential a discount on CIL of Parkland from the new $8,500/unit rate to the old (pre-2012 CIL of Parkland by-law) rate of $4,100/unit which allows for a discount of $4,400/unit for every 750 square feet of office development built on the same development site. This discounted rate will be maintained regardless of any future changes to the CIL parkland per unit rate.

These three tools constitute the majority of the financial incentives being proposed for adoption in whole, or in part for the VMC and the Weston and Highway 7 Primary Centre. Staff will examine opportunities for expedited development approvals for office uses, which although there are no significant financial implications for this program, may save the developer and tenant(s) time and additional expense. Resource implications for the affected departments (e.g. Development Planning, Engineering) must be assessed prior to implementation.

The implementation of the CIP requires an investment by the City, but will also provide a return on investment

The full investment cost of the CIP program is difficult to determine as the magnitude of office developments over the next five years is difficult to pinpoint. To date, development applications for office projects where a CIP could be applied retroactively, accounts for 34 per cent of the total eligible space signifying that the uptake on the program will likely be successful. On the assumption that the full allowable 139,355 square metres (1.5 million square feet) of office space is developed during this period, the investment over the next fifteen years will be approximately $17.6 million. The CIL Parkland portion of the grants represents forgone revenues, rather than actual expenditures; however the DC grants and TIEGs will require funding over the long term such as 25 years. This will be determined through future budget processes. Table 1 below illustrates the net financial effect of the proposed incentives.

Table 1 – Proposed CIP Incentives

Incentive Type	Maximum Exposure
DC Grants / Reduction & DC Deferral	$4.7 million
TIEGs	$3.3 million
Cash-in-Lieu of Parkland	$9.6 million
Total Maximum Exposure	**$17.6 million**

By making this early investment to encourage the acceleration of "urbanization" within the community project areas the City attempts to isolate itself from fluctuations in certain economic conditions for office development. Furthermore, momentum may grow following the completion of several early office projects which should improve the investment confidence in Vaughan with regards to these types of developments. Urbanization in these areas would create better utilization of infrastructure investments, improve the ability to attract a younger demographic of workers and would strengthen the City's ability to attract cultural and educational institutions.

Based on the evaluation of several recent developments it could be assumed that the assessment value would be approximately $2,293 per square metre. Using this assumption and excluding any consideration towards the incentives and rebates outlined in this report, the 139,355 square metres (1.5 million square feet) of office space approved within the plan would add in the order of $319.5 million in new assessment to the City. This would result in approximately $865,000 of additional annual revenue being generated by the City in property tax revenue (based on the 2014 tax rates). The Regional taxation revenues related to this office development would be approximately $1.49 million per year and the Provincial education component would be approximately $3.37 million per year.

By narrowing the gap between market rents for office space, the CIP also has an effect on maintaining a balanced assessment ratio. Currently, the majority of development applications in the VMC and Weston and Highway 7 Primary Centre, is skewed toward high rise residential developments. The addition of office developments would help to address this imbalance.

The creation of office employment would also spur other types of investment in the area. Spending by employees would add value to the local community by creating a domino effect for retail and other tertiary employment. This will bring vibrancy and a sense of place to the downtown in the earlier phases of development.

Phase 3: Implementation of the Community Improvement Plan

The enactment of the CIP by-law

Following the Committee of the Whole Public Hearing, staff will consolidate and review the comments received from the public. Once public input has been addressed, a Final CIP Study Report and CIP By-law will be brought forward to the November 3, 2015 meeting of Committee of the Whole for consideration. Should Council approve the CIP program, a by-law to implement the program will be forwarded to Council for enactment on November 17, 2015, the Region and MMAH will be advised, and the By-law is expected to take full effect by the beginning of 2016.

Marketing and communications strategy

The Economic Development Department is in the process of developing a multi-pronged approach to marketing the CIP. In addition to the landowners being aware of the CIP, it is also vital that the brokerage community and potential tenants are aware of the Program and are factoring it in, as part of their site selection process. Staff is preparing a brochure and application package for the CIP which will be posted on the City's VMC website. In addition, the materials are being included in business proposal packages and presentations at Realtor Roadshow events.

As a part of the communication plan for the CIP there will be a dedicated first point of contact for landowners who wish to participate in the program. As a part of the Pre-Application Consultation (PAC) process the application package will be supplied and pre-approval to the program will be evaluated.

Administration of the CIP

The CIP is a multi-departmental program requiring the input of the Real Estate Division, Development Finance & Investments, Property Taxation, Policy Planning, Development Planning and Economic Development Departments. Staff has undertaken the development of a process flowchart (see Attachment 4) to guide the review and approval of CIP applications, pre-qualifications and CIP agreements. Tracking of all applications will be coordinated on the SharePoint platform to allow staff to share information and avoid duplication of efforts.

In order to allow staff to report back to Council on the uptake of the program and forgone revenues, landowners will be required to follow certain protocols in order to facilitate the tracking of the program. These requirements will be included in the CIP by-law and in marketing materials that will be provided to eligible Landowners.

Monitoring and reporting on metrics

On an annual basis, Staff will provide Council with a status update on the CIP, reporting on level of uptake, pending applications and estimates on forgone revenues. At the end of the five-year term these results will be consolidated and a revision to the funding/investment strategy will be adopted as necessary through future budget processes.

Future updates to the CIP

The CIP will be fully reviewed upon its five-year expiry date or upon full usage of the 139,350 sq. m. of office space, whichever occurs first. The CIP by-law gives Council the flexibility to accommodate changes; at the end of the five year by-law term, an update, extension or refinement of the CIP will be at the discretion of Council.

Relationship to Vaughan Vision 20|20 Strategic Plan

This report is consistent with Vaughan Vision 20|20 Strategic Plan – Goal 1: Plan and Manage Growth and Economic Well-Being. It is also consistent with Goal 4 of the Economic Development Strategy that states “Grow Vaughan’s dynamic quality of place and creative economy”.

Regional Implications

The Region of York’s Official Plan places tremendous importance on the Centres and Corridors within its local municipalities (of which the VMC is one) as the cornerstone to achieving provincial population and employment growth and intensification targets. The implementation of a CIP by the City of Vaughan, focused on office development and generating office employment, is aligned with Regional objectives.

Despite the various financial incentives being offered as a part of the Community Improvement Plan, the Region continues to collect the lion’s share of DCs and property tax for these types of developments. In order to achieve a more fulsome incentive approach the City will continue to advocate to the Region to consider similar financial incentives to ensure that high quality office employment is strategically positioned with access to high order transit systems, which will benefit the local, regional and provincial economy.

Copies of this report will be forwarded to the Region of York as well as the MMAH.

Conclusion

To promote development of the VMC and Weston and Highway 7 Primary Centre, there needs to be a balance between residential and employment uses. While residential developments are anticipated to fare well, Vaughan faces challenges in competing for office development against other centres in the GTA.

By establishing a CIP, there will be a strong point of differentiation for the VMC in a marketplace that faces tremendous pressure in terms of office space availability and mounting rental costs. A CIP, as proposed, would allow Vaughan to get out of the gate first amongst its competitors and achieve its economic development goals while balancing the financial exposure of the City.

The set parameters of the proposed CIP place a singular focus on accelerating office development in the VMC and Primary Centre at Weston Road and Highway 7. A term of five years for the CIP Program imposes a time limit, sends a strong signal of the City's commitment and acts as an immediate call for action from the development industry. The Planning Act requires a review of the CIP after the five-year period, and at that time, staff will assess the further need for incentives, including applicability to other primary centres and intensification areas in Vaughan.

Amongst the various asset classes, Class A office development is the most sought-after, and the most difficult to achieve. Generating the highest economic rents, while producing taxable assessment, and high-value jobs, the rewards associated with attracting high-value office tenants plays out in a myriad of perspectives - social, cultural and economic. An investment in the CIP is a constructive investment that will pay back in future prosperity for Vaughan.

Attachments

1. Community Improvement Plan Study – Final Report
2. Draft Community Improvement Plan By-law to designate the Community Improvement Project Areas
3. Draft Community Improvement Plan By-law to adopt the Community Improvement Plan for the Community Improvement Project Area
4. CIP Process Flowchart

Report prepared by:

Shirley Kam, Senior Manager of Economic Development
Brianne Clace, Senior Analyst, Development Finance & Investments
Michael Launslager, Economic Development Officer
Lloyd Noronha, Director of Development Finance & Investments
Roy McQuillin, Director of Policy Planning

(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.)

LiBERTY development

C 5
COMMUNICATION
CW (PH) - Oct 7/15
ITEM - 3

October 5, 2015

Phone: 905-832-2281

Email: Clerks@vaughan.ca

Vaughan City Hall
Level 100, 2141 Major Mackenzie Drive
Vaughan L6A 1T1
Attn: Jeffrey A. Abrams, City Clerk:

Dear Mr. Abrams:

RECEIVED
OCT - 6 2015
CCO

RE: Committee of the Whole Public Hearing
Under s. 28 of the Planning Act October 7, 2015 @ 7 p.m.
Re: Community Improvement Study and Plan

We are writing in our capacity at Liberty Development Corporation for project owners and projects we have under management or development. We have reviewed the proposed Notice of Public Meeting, and the Final Report dated September 10, 2015 by Hemson Consulting and Urban Strategies Inc. regarding the proposed Community Improvement Plan for Office Uses in Two Community Areas (the "CIP Proposal").

We are in a position to support the salient points in the CIP Proposal and the proposed draft By-law. This is a long awaited injection of stimuli to help put Vaughan on the Office development map among our local municipal competitive peer groups, Nationally and Internationally. We believe that this is an aggressive move by the City that will help the City 'Grow Up' faster than without the tools in the CIP Proposal. In short, this helps form the basis for a city/private partnership that will help our future generations help themselves in the City of Vaughan. The staff and management at the City have done a wonderful job on this endeavor.

However, there are tools that can be added to the City's financial incentive arsenal, to make it the 'best' office incentive plan on the Continent, including, without limitation, as noted:

a. <u>Parallel Support from York Region is required.</u> City of Vaughan is providing a grant from its 17% tax receipt; if the Region kicks in their 17%, the incentive is doubled and the rewards for both parties can be more than double their investment. Page 37 of the Hemson/Urban report states: *"A copy of the memorandum requesting Regional participation is attached at Appendix D"*. We urge the City to kindly pursue the Region

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for its parallel investment in this paradigm shift policy change for the benefit of our future citizens and employees.

b. Parallel Support from the Province of Ontario. The Province receives the lion's share of the tax receipts from new office development. If no office is built in Vaughan, the Province will not get its \$0.67 for every new \$1.00 of office taxes. Accordingly, Page 38 of the Hemson/Urban report states: "*A memorandum requesting Provincial participation has been drafted and will be sent to the Ministry of Municipal Affairs and Housing through a Council resolution.*" We strongly urge the City to pass this resolution immediately.

In conclusion, if the City is able to obtain the parallel participation of both (a) York Region and (b) Province of Ontario, in my opinion, the City of Vaughan will have the most aggressive office attraction policy of any similar gauged jurisdiction in North America. When that day comes, it will make North American headlines, and attract North American head offices, which will bring more office jobs to Vaughan, hopefully helping us double our current low 7% office employment figure to help propel Vaughan into the next century of business development. We applaud the City staff for their action and forward thinking on this CIP Proposal.

For our project land owners, we respectfully reserve our right to modify or supplement these comments as the CIP Proposal process unfolds.

Sincerely,

Marco Filice
Senior Vice-President & General Counsel
Liberty Development Corporation
For itself and on behalf of certain projects
Under management and development

.cc: Commissioner of Finance & City Treasurer, John Henry;
.cc: Commissioner of Planning, John Mackenzie;
.cc: Executive Director, Office of the City Manager, Tim Simmonds.

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Community Improvement Plan

Committee of the Whole Public Hearing: October 7, 2015

Tools for Encouraging Office Development in the VMC & Weston & Hwy. 7 Primary Centre

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City of Vaughan:

- Economic Development & Culture Services
- Policy Planning
- Development Finance & Investments
- Development Planning
- Legal Services
- Real Estate
- Financial Planning & Analytics

Consulting team:

- Hemson Consulting Ltd.
- Urban Strategies Inc.

The Team

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1 Foundational work
2 Market context
3 CIP structure
4 Community benefits
5 Next steps

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Live Work Learn Play: ***Building the Vaughan Metropolitan Centre – Preliminary Office Study, September 2012***

Altus Group: ***Vaughan Metropolitan Centre – Office Development Pro-forma Scenario Study, May 2013***

Live Work Learn Play: ***Vaughan Metropolitan Centre Reconnaissance & Strategic Assessment, May 2015***

Foundational Work

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The GTA office market:

- Supply and demand of office space
- Relative costs of development
- Competing office nodes

The VMC faces a cost disadvantage in both existing and new construction of Class A office space

Market Context

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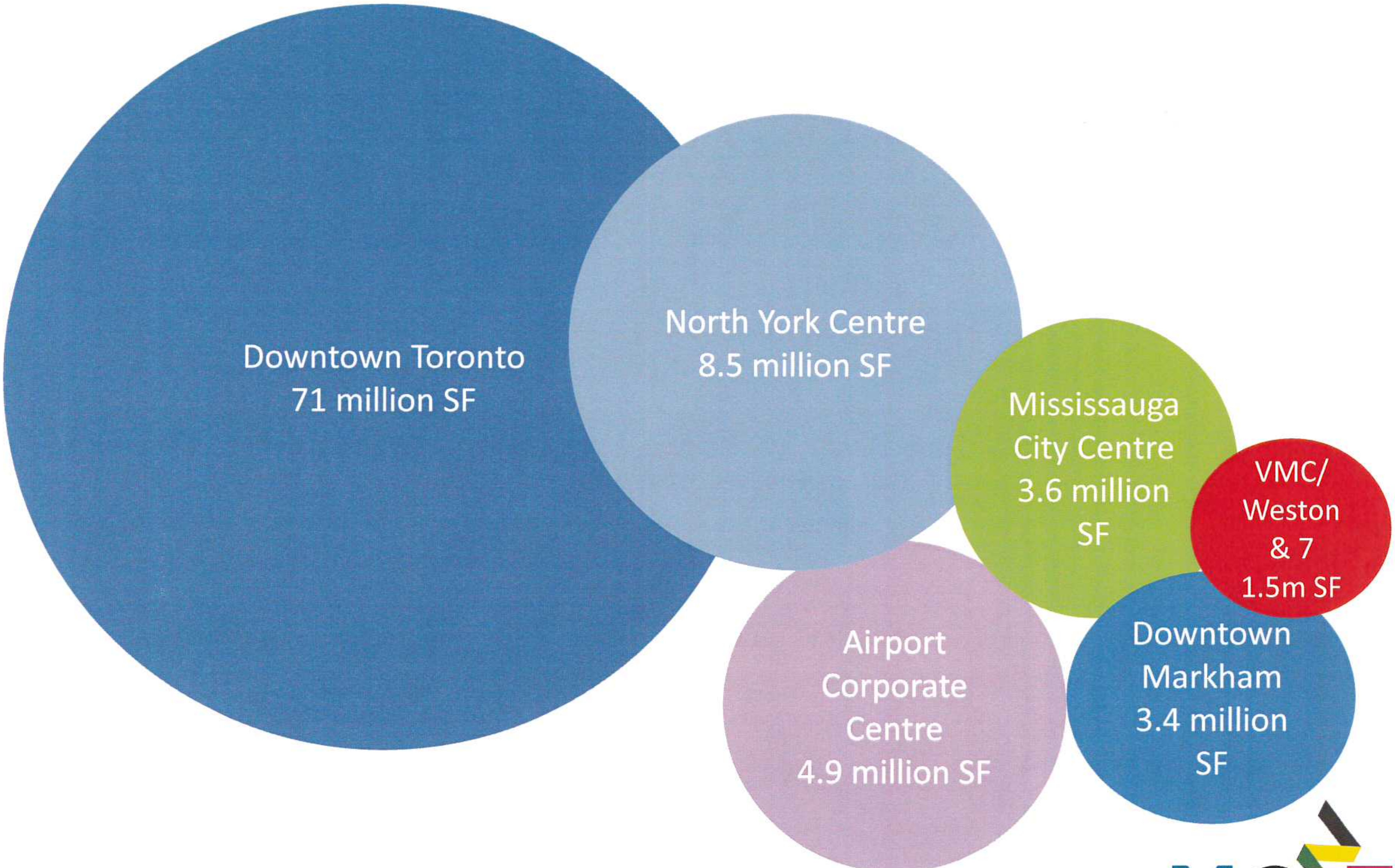

Market Context

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Vaughan's CIP

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CIP structure

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Background Work Completed to Date

Date	Milestone
May 2013	DC by-law passed and commitment to look at financial impediments to development as part of a CIP
May 2014	Council approved undertaking of CIP Study
March 2015	CIP Framework presented to VMC Stakeholder Working Group
June 2015	CIP Framework presented to VMC Subcommittee of Council
July 2015	Individual stakeholder consultation sessions
July 2015	Update to VMC Stakeholder Working Group
September 2015	CIP Report and By-laws made available to the public

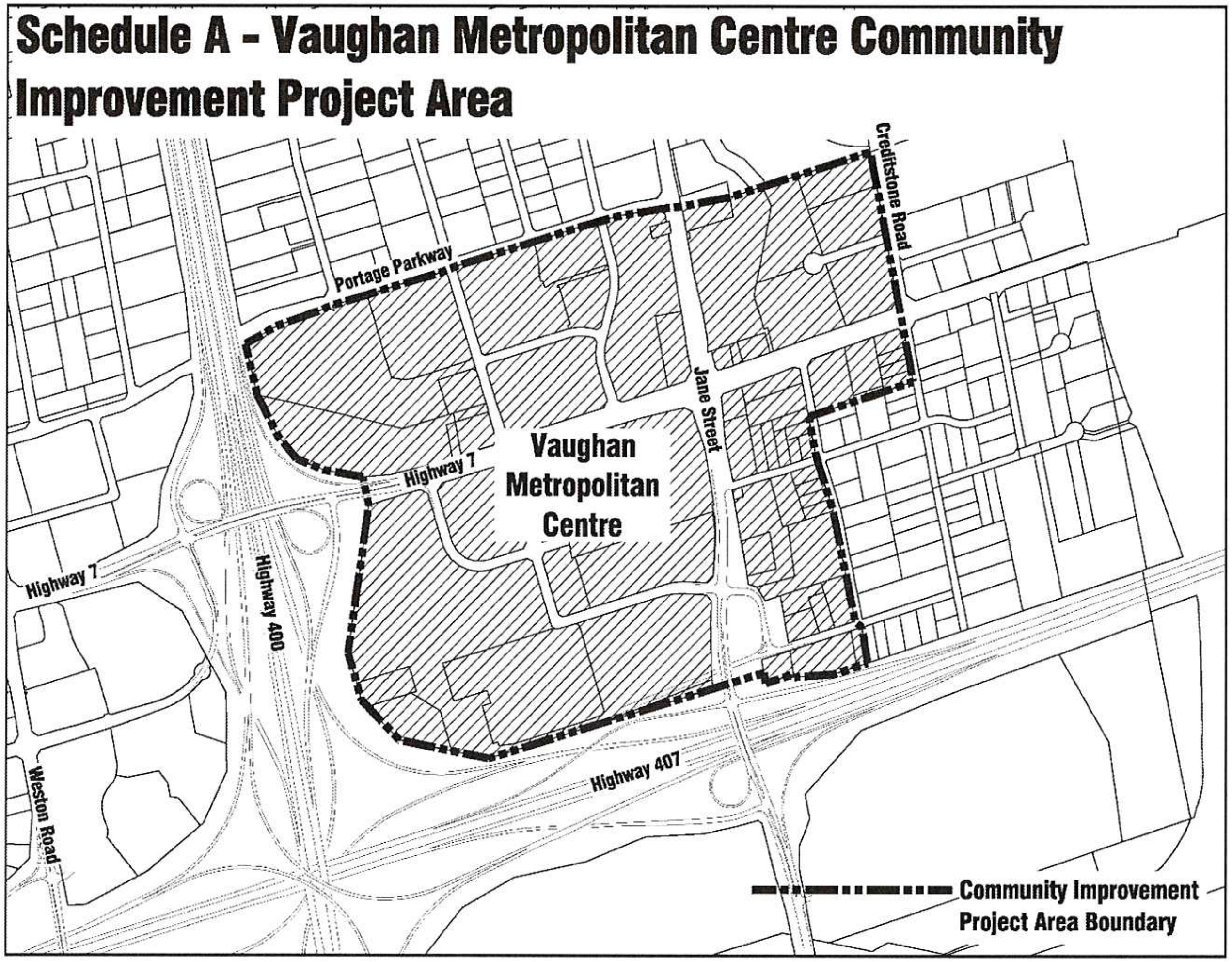
CIP is Recommended for VMC and Weston/7

Key factors driving recommendation

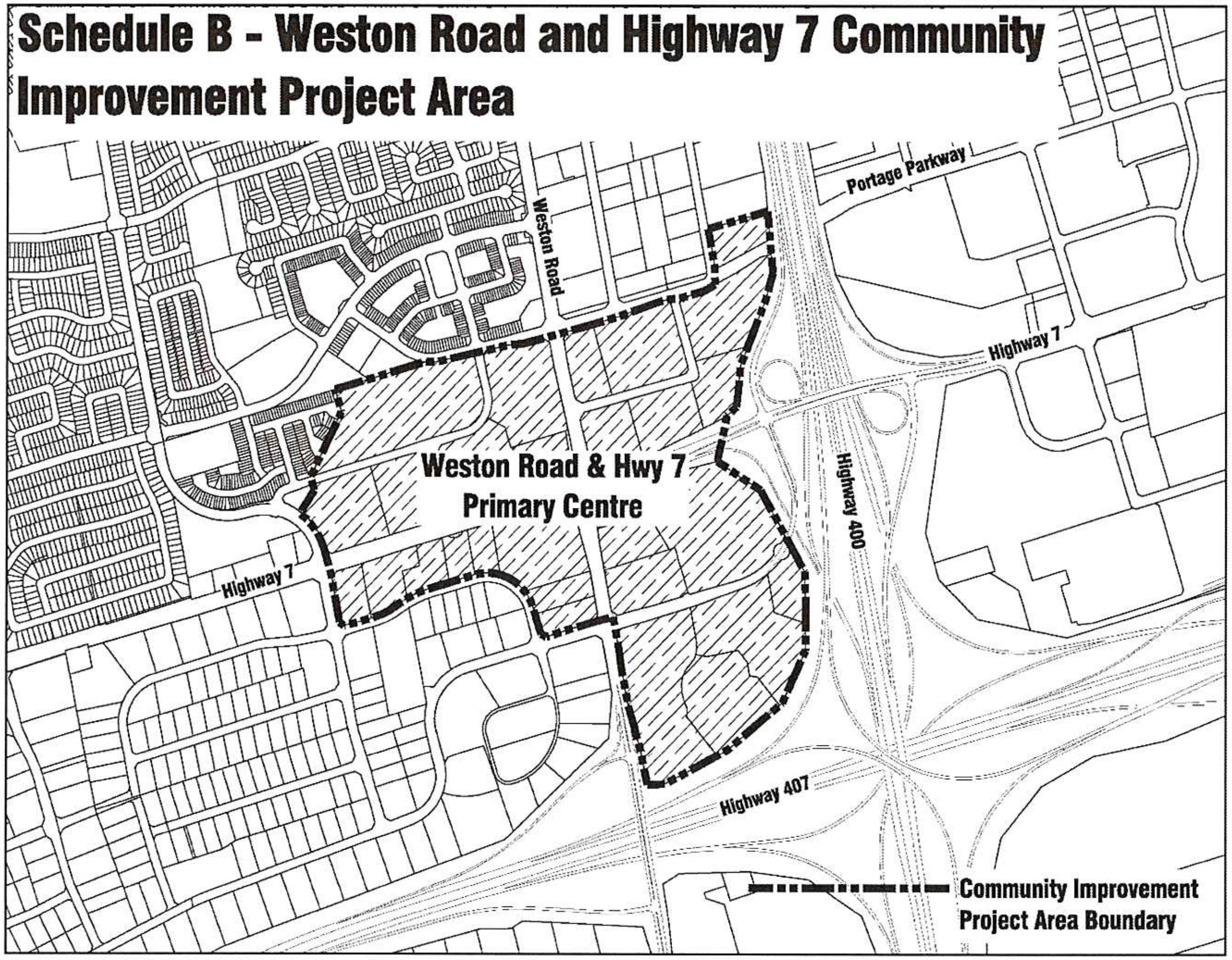
- Province has mandated VMC as Vaughan's Urban Growth Centre
- Momentum is essential to success of VMC area
- Subway investment should be supported
- High cost of required:
  - Structured parking
  - Amenity and urban design standards

The CIP Project Areas

The CIP Project Areas: VMC



The CIP Project Areas: Weston Rd/Highway 7



Recommended Incentives

- Reduced Development Charges Rate
- Development Charges Deferral (VMC Only)
- Tax Increment Equivalent Grant (TIEG)Program
- Reduced Cash-in-Lieu of Parkland rates

Key Program Elements

- Applies to the first 1.5 million sq. ft. (139,355 sq.m) of major office space
- Qualifying development must be at least 10,000 sq.m
- Program to run for up to five years
- Program retroactive to post January 1, 2014 developments

Reduced DC Rate

- Reduced City-wide DC Rate
  - $20.35 per sq.m
  - 62% less then current rate ($53.68)

- Maximum development savings: $4.65 million
  - Cost will be absorbed by the City (taxes/utility rates)

- City still collects $2.84 million in City-wide DCs
  - Black Creek area-specific rates will also apply

DC Deferral (VMC only)

- City-wide DC payments will be deferred 18 months
  - Mirrors Region of York deferral policy
  - Deferral will be secured by way of letter of credit and deducted 18 months after building permit issuance
  - Not retroactive

- Maximum cost to City of deferral: $56,000

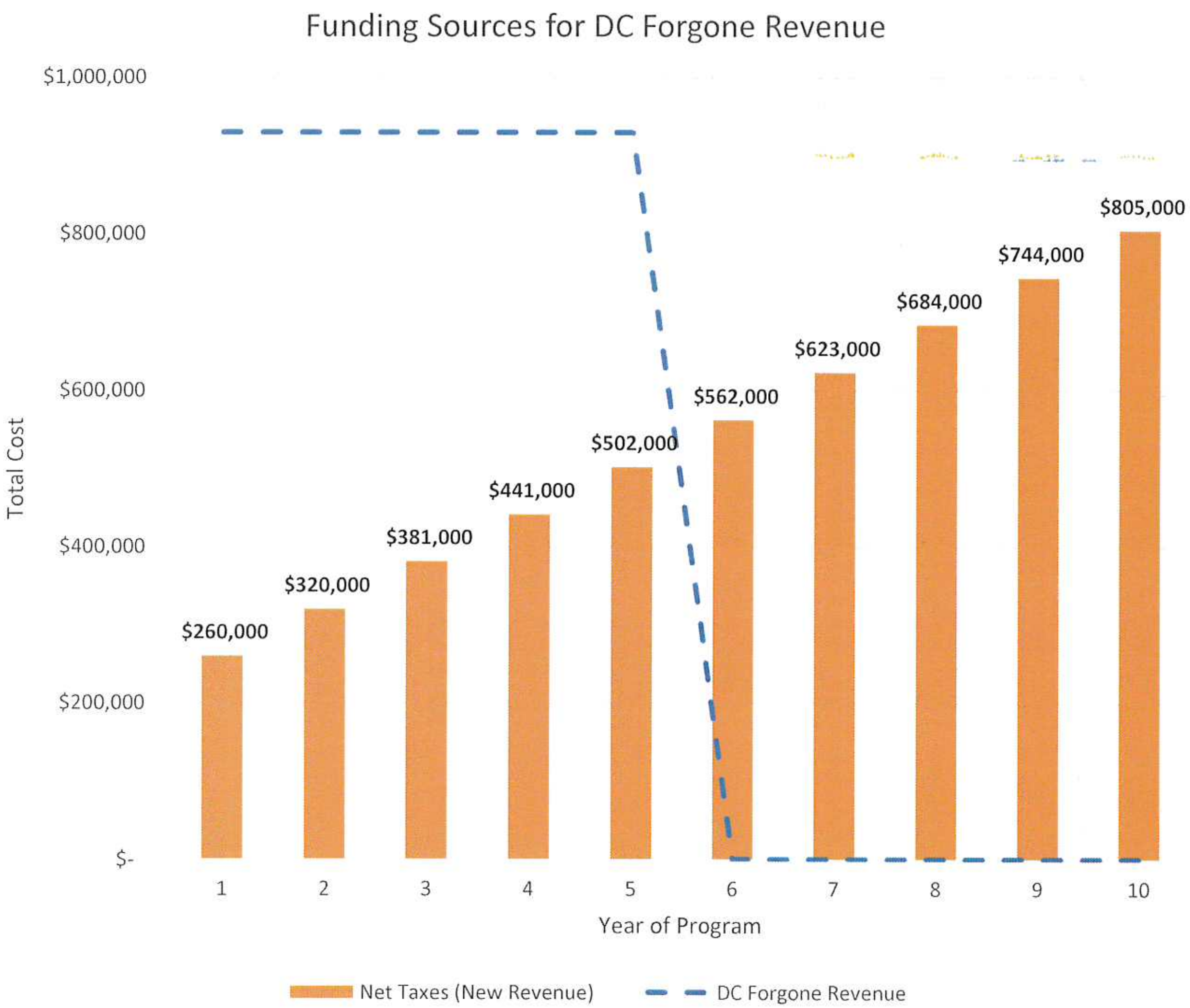
Reduced Property Taxes

- 10 Year grant program
  - Phase in new taxes from 30% in Year 1 to 93% by year 10
  - Applies only to office areas in mixed-use developments
- Maximum potential tax savings: $3.3 million
  - Cost will be absorbed by the City through tax rate
- Net of grants, City still collects $5.3 million in new taxation revenue

Reduced Parkland Payments

- 100% exemption of payments for office uses
- A $4,400 per unit discount for residential units for each 70 square metres of office space in a mixed-use development
  - For example, the current residential CIL rate of $8,500 would be reduced to $4,100
- Maximum potential savings: $9.6 million
  - Maximum amount likely to be lower as not all office developments will have residential component
  - Reduced payments would reduce/delay capital expenditures or require offsetting funds/dedication from other sources

Forgone DC Revenue will Be Off-set by Net Tax Increase



- Total forgone DC revenue will need to be funded from other sources ($4.65M)
- New taxation revenue generated from office uses will be used to offset cost
- Notwithstanding operating costs, a 10-year payback period is required ($5.3M in total revenues)

Examples of Other Incentives Considered

Incentive	Description	Comments
Section 37 Contributions: Podium Parking	Major office buildings with two storeys of below-grade parking be permitted to exclude up to two storeys of integrated above-grade podium parking from Section 37 calculation	• Incentive will be implemented outside of the CIP by-law; part of the regulatory planning process
Other Section 37 Incentives	Exemption of office development from s.37	• Current CIP provides a range of incentives • Considered through Secondary Plan or Site Plan Agreement process

Examples of Other Incentives Considered Cont.

Incentive	Description	Comments
Brownfield Incentives	Provide similar financial incentives for Brownfield redevelopment	• City's existing building stock is relatively modern • Intent of CIP program is to encourage underdeveloped sites • Reconfirms 2006 study
Early Lease Termination	Provide incentives to offset costs of early lease termination for existing commercial uses	• Objective to encourage office development on vacant sites • Would reduced funding for other proposed incentives

Request to Region & Province

- If Region and/or Province participated, incentives could be far larger

- Region participation has been requested for:
  - TIEGs
  - DC Reduction

- Potential Provincial participation:
  - Grants provided under *Planning Act*
  - Education Tax grants under Tax *Increment Financing Act, 2006*

- Regional and Provincial participation is unlikely at this time

Incentives in Other GTA Municipalities

Municipality	CIP Program	Description
Toronto	Brownfield Remediation and Development of Prescribed Employment Uses	• City-wide CIP used to overcome challenges in attracting employment uses • TEIG: phase-in new taxes from 0% in Year 1 to 80% by year 10 • DCs exempt over first floor
Mississauga	No formal CIP in Place. City is considering CIP for Office Uses.	• Incentives will likely include TIEGs and DC reduction
Brampton	Central Area CIP	• Targeted CIP intended to revitalize downtown core • Incentives include: TIEG (not yet implemented), DC grant based on scoring system (50% -100% exemption based on performance criteria), façade improvements etc.

Incentives in Other GTA Municipalities Cont.

Municipality	CIP Program	Description
Markham	CIP By-law adopted for Markham Centre Secondary Plan Area – no formal CIP in place	• Area was identified for CIP • No incentives/ funding has been provided to date • Intended to support planning objectives for downtown including infrastructure initiatives to support transit
Richmond Hill	No formal CIP in Place. Town is considering CIP for Office Uses.	• Office incentives study completed December 2013 • Incentives will likely include TIEG • Specific office uses have not yet been identified

Community Benefits

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Benefits to the community, local economy and Vaughan's ability to attract business investment

Impact of a CIP

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Economic development goals:

- New jobs in the community
- Expanded base of office employment
- Direct and Indirect GDP
- Benefits tertiary sectors
- Complete communities
- Reduced out-commuting
- Mobility node as catalyst

Economic Development

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Office Development Supports Local Economy

Office Development Supports Local Economy

Office Development Supports Local Economy

Next Steps

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Public circulation of final draft CIP study & by-laws

September 10, 2015

Public meeting: CIP study & by-laws

October 7, 2015

Committee of the Whole: consideration of CIP study & by-laws

November 3, 2015

Council enactment of the CIP by-laws

November 17, 2015

OMB appeal period

(20 days)

* Deadline to receive written feedback from the public is Friday, October 16, 2015.

Next Steps

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Questions & Answers

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3. COMMUNITY IMPROVEMENT PLAN FOR THE VAUGHAN METROPOLITAN CENTRE AND WESTON ROAD & HIGHWAY 7 PRIMARY CENTRE

Recommendation

The Executive Director, Office of the City Manager; Commissioner of Planning; and the Commissioner of Finance & City Treasurer, in consultation with the Interim Commissioner of Legal and Administrative Services/City Solicitor, the Director of Economic Development and Director of Development Finance & Investments recommend:

1. THAT the presentation and study for the Community Improvement Plan (CIP) for the Vaughan Metropolitan Centre and Weston Road & Highway 7 Primary Centre community improvement project areas BE RECEIVED;

2. THAT the draft Community Improvement Plan By-law BE RECEIVED;

3. THAT input from the public and Vaughan Council at the Statutory Public Meeting on October 7, 2015, BE RECEIVED; and

4. THAT any issues identified be addressed by Staff in a comprehensive technical report to Committee of the Whole.

Contribution to Sustainability

Green Directions Vaughan embraces a Sustainability First principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations. The VMC, primary centres and other intensification corridors are fundamental building blocks of the City's growth management strategy and are essential to the long-term economic vibrancy of the City as an office employment centre.

A CIP will facilitate a collaborative approach between the City and development stakeholders in bringing vital office development as an employment cornerstone to the overall growth plan.

Economic Impact

All costs associated with developing the Community Improvement Plan (CIP) have been budgeted within the Economic Development Department's Capital Budget EB-9535-14.

Future financial implications resulting from the approval of the CIP will be addressed through future budget cycles

The financial exposure resulting from the enactment of the CIP has been estimated and is discussed within the body of the report. Upon enactment of the by-law to adopt the CIP, Council will also be approving an order of magnitude amount that will be invested into the program in accordance with the Plan.

Staff will report back annually on the program to provide information on the uptake of the CIP and associated investment by the City. Forgone revenues related to development charges not be made up by charging future development; as such arrangements must be made to fund this shortfall through an alternative funding source such as property tax. There is no requirement to fund the total investment immediately and if Council wishes to do so, the investment could be amortized over a longer term such as 25 years. These commitments will be addressed through future budget cycles and will be subject to Council approval. Unlike development charges, CIL Parkland and property tax discounts are not required to be funded from other sources and are simply treated as forgone revenue.

Communications Plan

Legislative Communication Requirements

The Planning Act has mandatory communication requirements that require the advertising of at least one public hearing and the Clerk is mandated to carry out such advertising at least 20 days in advance of the meeting date. The Public Statutory hearing was scheduled for October 7, 2015 and was advertised using a number of channels to optimize public awareness. This included advertising in the Vaughan Citizen and Vaughan Liberal on September 10, 2015. An email broadcast was also sent to all landowners in the identified community improvement project areas. Other methods of notification employed in the Statutory Public Meeting are set out below:

- Vaughan TV
- *City Update*, the City of Vaughan's e-Newsletter
- City's electronic newsletter, *Vaughan e-Business Link*
- City Page Online
- City of Vaughan's Twitter and Facebook accounts
- City's website, www.vaughan.ca/vmc
- Notification was also sent out through the Local Councillors Ward Newsletters.

Both advertising of the hearing as well as pertinent information such as the draft proposed CIP study and by-law was also made available on September 10, 2015 on the City's website, www.vaughan.ca/VMC/CIP. As of September 23, 2015, no comments have been received.

Subsequent to Council approval of the CIP Study and the CIP by-law, appropriate notices will be advertised as prescribed by the Planning Act.

Purpose

The purpose of this report is to provide a summary for Members of Council and members of the public of the proposed CIP plan and CIP by-law (Attachments 1 and 2) for the purposes of hearing public input on October 7, 2015. The intent of both documents is to establish provisions allowing for the CIP and authorization to bring forward for enactment a by-law designating the VMC and Weston Road and Highway 7 Primary Centre as the Community Improvement Project areas.

Background – Analysis and Options

Building the Vaughan Metropolitan Centre – Office Market Study

In September 2012, Staff tabled a report entitled *Building the Vaughan Metropolitan Centre – Office Market Study* at the Vaughan Metropolitan Centre Sub-Committee. The Study completed by Live Work Learn Play (LWLP) provided an initial assessment of the competitiveness of the Office Market within the VMC relative to other Greater Toronto Area (GTA) office nodes. The Study found that the urban office forms envisioned for the VMC placed it at a competitive disadvantage, notwithstanding the presence of a subway. While the subway was a 'nice to have' amenity, it was not sufficient enough to attract office tenants who still sought parking amenities. The office rents required in the VMC placed it above those in Markham/Richmond Hill, North York and Mississauga Airport Corporate Centre. These competitor locations provided options with existing and greenfield office products compared to only greenfield projects in the VMC. Successfully attracting office tenants requires a narrowing of the rent gap, either through reducing costs or increasing the real or perceived value of an office location in the VMC.

Comprehensive strategy and study structure to achieve Vaughan Official Plan policies

In order to compete within this complex office market Council tasked staff with creating a comprehensive strategy to address incentive issues with regard to office development city-wide and in particular in the VMC area as a method to narrow the identified rent gap. The goal of this strategy is to fulfill Council's request to achieve a mix of non-residential uses in the VMC that will serve the greater population of the City and to develop densities supportive of high-order transit.

Staff wanted to further understand the need for, and magnitude of any office incentive programs that would be required. Staff retained the Altus Group Limited to conduct an Office Development Pro Forma Scenario Study in order to understand the financial challenges being faced by developers of office buildings. This report compared the VMC to several other competitive office sub-markets and estimated the rental rates that would be required in order to make the VMC competitive in the office market. A cursory examination was also completed on incentive tools that are available to the municipality to give the developers a competitive edge when considering when and where to construct an office building.

Transit investment alone is not enough to overcome market disadvantages in Vaughan

The Altus study found that despite the significant transit investment in the VMC area, it would not be enough to trigger office or mixed-used development. It also found that the gross rents in the VMC would most likely be higher than other competing office markets in the GTA and that there may be a cost disadvantage in both existing and new-construction Class A space.

It was also apparent that although Vaughan is competing on a near level playing field for new office development when compared with other competitive markets, the cumulative effect of current rents, high land values, and increasing vacancy rates for office across the GTA all cause the new office development that will be available in the VMC to become less enticing to potential office tenants, when it is compared to the existing office product that is available in the GTA. As a result of these findings Altus identified a series of CIP tools that are available to municipalities that would assist in reducing the gap between current market rents and rents required to justify new construction.

The results of the study were brought forward in a staff report entitled "*Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development"* (Item 4, Report No. 2 of the Priorities and Key Initiatives Committee) and adopted by Council on May 27, 2014. It directed City staff to initiate a Community Improvement Plan Study to support and accelerate office development in the VMC and other intensification areas. Staff issued a Request for Proposal (RFP) in September 2014, and through a competitive bid process, the successful proponent was retained the services of Hemson Consulting Ltd. and Urban Strategies Inc. (RFP # 14-286).

<u>CIP Study Methodology</u>

The methodology for constructing the CIP comprised of three main phases: background research and consultation, the development of the CIP program, and implementation and action planning. The actions in each phase are explained below:

Phase 1: Background research and consultation

- The first phase of the CIP study consisted of data collection, analysis and identifying the CIP boundary area. The purpose of phase one was to identify specific issues that the CIP would aim to address, review current policy and best practices in other jurisdictions, and gain insight from City of Vaughan staff, public sector stakeholders and private landowners on how a CIP could best serve all parties.

Phase 2: Development of the CIP program

- Based on the results of research and stakeholder consultation in phase one, a draft community improvement project area was selected and CIP incentives were established. Phase two exercises included determining the rationale for incentive programs, establishing where incentives should apply, selecting the appropriate financial and policy-related incentive tools, and determining CIP program parameters and eligibility criteria that would target the specific issues related to office development, while still being mindful of the limitations on existing tax based funding sources. Following this work, the consulting team prepared a draft CIP and CIP By-law and circulated it to stakeholders for further review and consultation through the public meeting process.

Phase 3: Implementation and action planning

- Bringing together the work completed in phases one and two, the third phase of the project is currently underway and is comprised of the preparation of internal process maps, agreement and application templates and the development of a program for marketing and monitoring after implementation.

<u>Phase 1: Background Research and Consultation</u>

Further to the previous studies conducted, Staff worked with Hemson to develop a more fulsome economic picture of the current office conditions in Vaughan. This analysis coupled with extensive consultation with the development industry was undertaken to provide further rationale for a CIP and to assist in identifying the specific issues that could be used to develop the CIP in order to support office development in key areas.

The CIP as a tool for transformational shift from a large industrial centre to a regional office node

With more than 71 million square feet of industrial inventory, Vaughan is the fourth largest industrial market in the GTA after Toronto, Mississauga and Brampton. Comparatively, Vaughan's office market contributed approximately 2.6 million square feet of space (of which Class A accounts for only 1.49 million square feet).

While Vaughan's industrial strengths have served it well in the past; current and future economic trends point to a declining manufacturing sector as more production and jobs shifts to lower cost locations in other parts of North America and Asia. Manufacturing is slowly giving way to distribution uses, as well as the retail sector. To mitigate these macroeconomic changes, the City must consider attracting businesses that will attract emerging industries such as professional, scientific and technical services, life sciences, educational services, head offices, creative and knowledge industries. Furthermore their business operations require an office setting that is transit accessible, and within amenity-rich, dense urban environments as envisioned for the VMC.

Vaughan requires a competitive edge to surpass its competition

According to Cushman & Wakefield's media release (July 17, 2015), the office market in Toronto Downtown South area (around Union Station) saw vacancy run out (at 1.7% vacancy), at the expense of older office stock elsewhere. Toronto's Financial Core is expected to still see strong market interest, but the office markets in the 905 areas are not expected to fare as well. The Q2 2015 Colliers Office Market report shows that Vaughan's vacancy rate for Class A office space is significantly higher (12.6%) compared with Markham Centre (5.8%) or Highway 404/Highway 407 (6.7%). The Mississauga Airport Corporate area leads with a 17.9% office vacancy rate. In the coming quarters, Vaughan's statistics may reflect a slightly lower vacancy rate as several recent office transactions at Applewood and Keele Street may not be reflected in the statistics.

LWLP's report, *Vaughan Metropolitan Centre Reconnaissance & Strategic Assessment, May 2015,* provides some insight into the 905 office market. Brokers have cited that there is a large supply of GTA office sites relative to demand, a condition exacerbated by conversions and adaptive reuse of industrial space for office functions. Furthermore, the 905 areas have a higher cost to build relative to other markets and Downtown Toronto has enjoyed renewed appeal as an office market as employers are increasingly using higher quality of life as attractors of talent: easy commute; close proximity to amenities and services; extracurricular offerings and housing options.

In comparison, the 905 areas are built around office clusters in specific sectors. For example, Mississauga's office clusters are associated with financial services and biotechnology and Markham's cluster is focused on information and communications technologies (ICT).

Vaughan's office market is not well understood

To date, Vaughan has a weak office cluster affiliation which combined with low awareness as an office node, makes it a difficult task to raise its level of competitiveness. This is supported by LWLP's findings:

- Vaughan is underperforming relative to the wider 905 for total office leasing market.
- Vaughan has a lower number of transactions in the last three years (Vaughan: 122; Markham: 172; Mississauga: 199) and a lower total square footage of leased office space (Vaughan: 209,364 square feet; Markham: 392,742 square feet; Mississauga: 414,764 square feet).
- Vaughan's inventory of 2.6 million square feet is the lowest among its competition.

Notwithstanding this pattern, Vaughan has started to experience a tightening of its office market with recent lease transactions: Holcim, Golf Town and Mattamy Homes. However with the softening Canadian economy, it is difficult to predict the longevity of continued office investment; nevertheless this is the point in time that the VMC must either start its development or risk being postponed to the next upward economic cycle. The beginning of office investment produces employment and economic benefits, increased local spending and generation of taxable assessment.

Major office development is a pillar of Provincial Growth Plans

Referencing one of the primary goals of the Province's Growth Plan for the Greater Golden Horseshoe: to create 'complete communities'; building large scale office spaces in the VMC, generates local employment opportunities for residents which in turn reduces automobile dependence. According to Statistics Canada, there are more than 13,900 office sector employees living in Vaughan, whereas only 12,000 of these employees also work in Vaughan resulting in a net out-commuting scenario. Using a conservative estimate of 27 square metres per employee, the 139,355 square metres (1.5 million square feet) of anticipated office space in the VMC, would correspond to 5,160 jobs. Diversifying Vaughan's business base to include more office employers could help alleviate transportation and traffic issues associated with commuting, and support public transit infrastructure investments.

Broadening Vaughan's industry sectors benefits residents and existing businesses

In addition to matching Vaughan residents' skill sets, training and development to office employers, there are other economic development goals that can be accomplished with more office growth. More office opportunities will allow the City to attract those business-to-business (B2B) support services that are vital to a vibrant economy. The City's Economic Development Strategy speaks to attracting financial institutions, real estate, insurance, technical, business and professional practices and creative industries. This tertiary sector provides 'soft' services or activities where people offer their knowledge and time to improve productivity, performance potential and sustainability bolstering business competitiveness and growth. Limited local capacity in the tertiary sector presents an opportunity for incoming firms. The attraction of ‘Bay Street’ firms such as KPMG and Deloitte, with their international expertise and reach, draws other ancillary service providers and creates demand for hospitality, entertainment and retail services.

Office construction benefits the provincial and local economy

Based on Statistics Canada’s Input-Output Multiplier, the development of 139,355 square metres (1.5 million square feet) of office space would lead to $540 million in direct, indirect and induced Gross Domestic Product (GDP) and 6,400 construction sector jobs. At the local level, the construction and building sector is one of Vaughan’s most important industries, employing more than 18,000 people. From land development; building product manufacturing; training; construction trades; furniture and fixtures to associated retail sales; the construction industry influences the provincial and national economy with direct, indirect and induced spending, sales and jobs. The following table illustrates the breadth of construction-related industries in Vaughan and the well-paying, highly skilled jobs they provide.

Sample of the Employment Associated with Construction in Vaughan, 2014

North American Industrial Classification Code	**Industry Sector**	**Industry Sub-sector Product/Service Description**	**Number of Businesses in Vaughan**	**Total Employment in Vaughan**
23	Construction	Non-residential building contractors and land development services	710	18,459
32	Manufacturing	Manufacture of building products including windows, doors, concrete, brick, millwork, etc.	216	6,952
33	Primary Metal Industries	Steel structures, plumbing fixtures, welding services	325	9,736
41	Wholesale Trade – Structure	Building materials distribution including lumber, plastics, electrical, HVAC	223	3,715
TOTAL			**1,474**	**38,862**

The KPMG Tower, currently under construction, provides a more concrete example of localized spending. With four possible levels of certification (i.e. certified, Silver, Gold and Platinum) under the LEED® (Leadership in Energy & Environmental Design) rating system, an international mark of excellence for green building, the KPMG Tower will be built to LEED® Gold rating. In order to achieve this rating, there are certification points that can be accumulated from regional content, i.e. use of locally sourced materials from within 800 kilometres of the project site. A sample of the materials sourced locally include curtain wall, concrete and cement, vapour and waterproofing membranes, stone and tile. In addition, many of the subtrades are from companies within the local area.

Driven by tenant demands and planning policies, such as the VMC Secondary Plan, new office development projects coming on stream will be required to meet green building standards, which usually include a portion of local materials and labour. While the initial faces of these office development projects begin with the developer or landowner, it quickly transforms to become one that is about people – people who develop and manufacture the thousands of building products; skilled tradespeople whose craft is transform blueprint drawings into reality; and office tenants whose daily operations provides jobs, pay cheques and spending.

Assessment of Financial Incentives throughout the Greater Toronto Area

An examination of the current CIPs in place across the GTA reveal that the City of Toronto is the only municipality with an operational CIP program that bears similarity with what is being contemplated by Vaughan. The City of Toronto enacted a city-wide CIP in 2008 (updated in 2012) providing development charge exemptions (office and retail – all gross floor area above the first floor is exempt); a Tax Increment Equivalent Grant (TIEG) and Brownfield TIEG and sector-specific financial incentives, under the Imagination, Manufacturing Innovation and Technology (IMIT) program.

Within York Region's larger urban municipalities, Richmond Hill is proposing a TIEG incentive program, but the CIP has not been completed, nor does Markham have a CIP implemented. In Peel Region, Mississauga is developing a CIP for the Mississauga Exchange District, targeting office development. Brampton employs development charge incentive programs to support its Downtown Core.

Public and Stakeholder Consultations

From the outset, the Hemson Consulting and City of Vaughan staff recognized the importance of a comprehensive public consultation strategy to ensure successful implementation of the Community Improvement Plan. Under staff direction, Hemson Consulting Ltd. designed an extensive public consultation strategy to engage and solicit feedback from the public, as well as the individual land owners who will be directly impacted by the CIP. This strategy included group consultation sessions, through which all landowners in the geographic area identified in the community improvement project area were invited to review the draft CIP and provide feedback, as well as one-on-one meetings with VMC and Weston & Highway 7 area landowners to engage stakeholders in a more intimate setting.

The second part of consultation strategy, included the engagement of other levels of government to solicit feedback on the draft CIP report and to seek participation in the Community Improvement Plan by offering incentives for office development within the community improvement project area. York Region and the Ontario Ministry of Municipal Affairs and Housing were identified as the key public sector stakeholders.

As a part of the development of the CIP, consultation has taken place between the City, development industry stakeholders and community to inform the CIP plan development process. In addition to the staff meetings with the City's working group, CIP Steering Committee, and Senior Management Team, Hemson Consulting Ltd. and Urban Strategies Inc. has engaged with the development stakeholders at the VMC Working Group sessions.

a. **The Kick-Off Meeting** – the initial CIP landowner consultation meeting took place as an agenda item at the VMC Working Group session held by LWLP on March 4, 2015. Located at the Monte Carlo Inn in Concord, it was attended by approximately 18 people representing the VMC landowners, the Region of York, and City Staff.

b. **Landowners One-on-One Consultations** – Hemson Consulting Ltd. and Urban Strategies Inc. contacted all of the major landowners within the VMC and the Weston Road and Highway 7 Primary Centre to request one-on-one consultations. Each landowner group was provided with a copy of the presentation delivered to the VMC Sub-Committee meeting on June 11, 2015. Five groups accepted the invitation: SmartReit, Liberty Development, Omega Holdings, Bentall

Kennedy and Royal Centre. Several attempts were made to consult with RioCan in the Weston and Highway 7 Primary Centre, but no response was received.

c. **Landowners Meeting** – Following the one-on-one consultations with VMC landowners, the consultants regrouped with stakeholders at the VMC Working Group session on July 16, 2015. At this meeting, Hemson presented the group with the findings from their stakeholder consultations.

Input Received Through the Consultation Process

The following chart presents a list of the comments and questions raised during the landowners' consultations, and the responses drafted by the City in consultation with Hemson and Urban Strategies.

Comment/Question	Responses
Consider adding further incentives for mandatory offices in VMC	• Mirror Region's 18 month DC deferral policy for office space in VMC only. • This incentive was added to acknowledge the importance that the City places on the VMC.
Why is Weston/7 treated the same as VMC?	• This site is adjacent to VMC and shares many characteristics. • Transit access provides an appropriate link to the VMC and is an excellent location for major office.
Why aren't GO stations included in CIP area?	• The Metrolinx plans are still being developed. • The planning permissions are less refined (OP). • The expectation is for high density residential in the short term. • These locations can be added at a later date if it is deemed necessary down the road.
The City should continue to advocate for Regional participation	• The City will continue to advocate this point through a Council motion.
	• The Region has the ability to implement a CIP to facilitate development. • The City's Consultants sent a memorandum to the Region to request participation which is attached as an appendix in the CIP report. • A report was tabled by the Region entitled "York Region Office attraction Review" which did not include a recommendation for financial incentives, but rather described the need for a marketing and communications plan for attracting office development. A copy of this report is attached as an appendix to the CIP report prepared by the City's consultants.
The City should continue to advocate for Provincial participation	• The City will continue to advocate this point through a Council motion.
	• The province is able to provide grants and other incentives through section 37 of the Planning Act. A memorandum to the province will be drafted and will be sent through a council resolution.

It may take longer than five years to reach 1.5M sq. ft. threshold	• Note that council will have the ability to renew or amend the program if it is deemed appropriate at the end of the five year term. • Currently the program is designed in such a way as to encourage early acceleration of office development and as such it is not recommended that the program be extended beyond the five year horizon at this time.
What is the status of City's establishment of parking authority?	• The City anticipates that an external consultant will be retained early next year to facilitate a parking strategy, which will look at several different components including the potential for a parking authority.
Consider exempting offices from s 37. if all parking is provided underground	• Staff feel that the program is adequate and balances the objectives of the strategy and the limitations on existing tax-based funding sources. • These types of concerns can be addressed through Section 37 guidelines and the VMC Secondary Plan process.
Parking Ratio Requirements are too high; can this be addressed in the CIP?	• These ratios are driven by tenant demand. • The current ratios are believed to be reasonable and can be reassessed once the impact of TTC subway/VIVANext is better understood.
Will lost CIL revenue affect the City's ability to acquire parkland in the VMC?	• Developing quality parks in the VMC is very much a priority to the City, as they have a positive influence on placemaking. • The hope is that the forgone revenue will be mitigated to a certain extent by stand-alone office, which does not contain a residential component.
Provide further emphasis on the macro benefits of the program	• These benefits are further outlined throughout the body of this report and the draft CIP Study.
Note the amount of qualifying office space under construction to date that will be included in the program retroactively	• These figures are estimated in the draft CIP Study but further refinement will be required in order to finalize the total GFA to be received into the program retroactively. • To reach the office size threshold, the qualifying area must be part of the same building permit.
Provide a note on the experience being leveraged from other municipalities	• The CIP study contains a survey of CIP policies from various locations throughout the GTA. • Pro-forma comparisons between Vaughan and other office markets were done in previous studies to understand how Vaughan fits within the market.
Provide further information on the CIP Implementation and Marketing Plan	• The CIP Implementation and Marketing Plan is outlined in greater detail within this report.
What are the boundaries of the Community Improvement Project Areas?	• The community improvement project areas include both the VMC and the Weston Rd & Highway 7 primary centre. • The boundaries of these project areas are located on the maps provided in Appendix A of the draft CIP Study.

d. **Informed industry associations of the CIP Study**

Hemson Consulting Ltd. contacted the Building Industry and Land Development (BILD) Association and NAIOP, the Commercial Real Estate Development Association to inform both groups of the upcoming CIP Study and community improvement project areas. These groups will be included in the email broadcast that is planned to inform them of the release of the draft materials.

e. **Consultation with the Region of York and the Province of Ontario**

As part of the overall communication process, staff representatives from the Region of York were invited to participate at the working sessions held by LWLP on March 4, 2015 and July 16, 2015. At these meetings representation from the Region was informed of the City's efforts to establish a CIP. Further to these working session discussions, a formal memorandum was sent by City Staff and Hemson to request Regional participation through the adoption of tax equivalent grants and development charge reductions in the CIP project areas included in the City's draft CIP Study.

In April 2015, the Economic Strategy Branch at York Region tabled a report entitled *York Region Office Attraction Review* in which they have signaled their intentions to embark on the development of a marketing and communications plan for attracting office development rather than providing financial incentives.

The Province of Ontario was also contacted as a part of this process and a memorandum requesting Provincial participation has been drafted. This memorandum can be sent to the Ministry of Municipal Affairs and Housing through a council resolution. Historically the Province has not provided any contributions to local or regional municipality incentives in support of a CIP, which makes Provincial participation very uncertain.

Phase 2: Development of the CIP Program

What is a Community Improvement Plan?

Section 28 of the Planning Act defines a Community Improvement Plan as "a plan for community improvement of a community improvement project area" where the following definitions apply:

> Community Improvement means:
>
> The planning or re-planning, design or redesign, re-subdivision, clearance, development or redevelopment, construction, reconstruction and rehabilitation, improvement of energy efficiency, or any of them, of a community improvement project area, and the provision of such residential, commercial, industrial, public, recreational, institutional, religious, charitable or other uses, building, structures, works, improvements or facilities, or spaces therefore, as may be appropriate or necessary; and
>
> Community Improvement Project Area means:
>
> A municipality or an area within a municipality, the community improvement of which in the opinion of council is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason.

The Act provides that where there is an official plan in effect in a local municipality that contains provisions relating to community improvement, the Council may, under Section 28(2) of the Planning Act, designate the whole or any part of the municipality covered by the Official Plan as a Community Improvement Project Area. Vaughan Official Plan 2010 contains policies relating to Community Improvement in Section 10. Area-specific policies are also provided at the Secondary Plan level (e.g. the Vaughan Metropolitan Centre Secondary Plan).

Once the by-law designating the Community Improvement Project Area(s) has been enacted, the Council may provide for the preparation of a plan "suitable for adoption as a community improvement plan for the community improvement project area".

Establishing the Community Improvement Project Areas within Vaughan

Through the study process, Hemson examined a series of primary centres and priority areas as candidates for designation as a Community Improvement Project Area (CIPA). The areas examined included: the VMC; Weston Road & Highway 7; Yonge & Steeles; Steeles from Keele to Jane (OPA 620); Vaughan Mills Centre; GO Stations (Concord Centre); Bathurst & Centre; and the northwest corner of Jane & Major Mackenzie.

The study took into consideration: alignment with the City's growth objectives; development timing and readiness; and integration with current and future infrastructure investments. Based on these criteria, the two Community Improvement Project Areas (CIPA) selected include: the VMC (Schedule A of By-law xxx-2015, Attachment 2) and the primary centre at Weston Road & Highway 7 (Schedule B of By-law xxx-2015, Attachment 2). There is a strong and strategic rationale for the selected CIPAs. The City needs to place its focus for office development squarely within the City's new downtown, driving investment into an area that is considered to be an Urban Growth Centre, Vaughan's Regional Centre and an Anchor Hub under the Metrolinx's "Big Move" Plan. It is the nucleus of significant public transit infrastructure investment originating from all levels of government.

Although the Weston Road & Highway 7 Primary Centre CIPA is not technically within the 'downtown' or VMC, its shares a number of characteristics: integrated transit infrastructure, high quality design environment, amenity-richness and is relatively close to being investment ready – all factors which made it a strong consideration for a CIPA.

While the other centres are worthy of consideration, implementing a CIP across all the priority areas would dilute the City's efforts to drive office investment into the downtown area. As well there is a limited scope for office development in other primary centres in the shorter term that may be attributed to a lack of infrastructure (including higher order transit), development process timing and availability of funding. These other centres can be revisited as part of a future review of the CIP.

*Establishing CIP Eligibility Criteri*a

The intended goal of this CIP Program is to support the acceleration of office development in the VMC and primary centres by allowing for more competitive office rents. Under the terms set forth, the CIP Program is intended to focus on developing 139,355 square metres (1.5 million square feet) of office space, complementing the residential and commercial developments that are also anticipated in the VMC and Weston and Highway 7 Primary Centre. It is proposed that the CIP program will cease once 139,355 square metres (1.5 million square feet) of office space has been achieved under the CIP or the CIP by-law has been in force for five years, whichever occurs first.

In order to access the CIP Program, developments must meet the following qualifications:

- The development must be located within the Community Improvement Project Areas, as identified in Schedules A and B of By-law xxx-2015;
- Proposed office development must be a minimum of 10,000 square metres (107,639 square feet) or larger as measured at the time of the first above grade Building Permit issuance;
- The qualifying space may be located in multiple buildings to meet the 10,000 square metre requirement as long as it is included on the same building permit; above ground building permits issued on or after January 1, 2014 (will be retroactively applied); and
- The development must be considered as an Office use under the Municipal Property Assessment Corporation (MPAC) assessment. Tax Increment Equivalent Grants (TIEG) only apply to the office portion of a mixed-use building, other tax classes located in the same land or building that the office use applies, such as commercial, residential or surface parking areas, would not be eligible for TIEG financing; and Residential units

must be part of the same Site Plan or Subdivision Agreement in order to qualify for the residential CIL residential discount.

Selection of Financial Incentives and Planning Tools to Spur Office Development

The Planning Act provides a variety of flexible financial tools and other incentives that may be applied to a community improvement project area through a CIP framework. A detailed review of the various tools available resulted in a group of financial incentives that were recommended by Staff on May 27, 2014 to support and accelerate office development in the areas described within this report. Hemson and Urban Strategies reviewed the three categories of incentives selected and deemed them to be relevant for office development in the Community Improvement Project Areas with only minor adjustments. These incentives include: Development Charges (DC) Grants/Reductions; Tax Increment Equivalent Grants; and Cash-in-Lieu of Parkland (CIL) Reductions.

Development Charges Grant/Reduction and DC Deferral

As a part of the CIP, it is proposed that the City provide a DC grant/reduction in the form a DC rate “freeze” to incent the development of office space. The DC discount being proposed would essentially equate to a freezing of DCs at the rates in effect before the enactment of the new 2013 DC by-laws. Through this program, the DC rates would be payable at the rate of $20.35 per square metre while other forms of non-residential development would pay according to the current rates identified in the new by-laws (currently $53.68 per square metre). The “Freeze” would only apply to the office use portion of mixed use development and residential/retail commercial portions would continue to pay the normal DC rates in accordance with the by-law.

It is important to note that the City’s portion of the total DC is small compared to that of the Region of York. However, given the competitive pressures facing office development the avoidance on new City DC rates will still provide a partial offset of capital costs.

Furthermore, through consultation with the development industry it was deemed appropriate for projects located with the VMC area (Schedule A of By-law xxx-2015, Attachment 2) to be eligible for an 18-month deferral on DC payment subject to a letter of credit being supplied to the City for the entire deferral amount. The payment will be deducted from the letter of credit in full, 18 months after the building permit is issued. This allowance is consistent with York Region’s current DC deferral policy for high rise office development.

Tax Increment Equivalent Grant (TIEG)

A TIEG is a financial incentive that is only available through a CIP, and is designed to offset the increase in property taxes experienced as a property is developed or redeveloped. This grant takes place in installments over a certain period, typically ten years. Each year, the grant declines in value by a set percentage over the prescribed time period. The TIEG program envisioned to form a part of Vaughan’s CIP would begin at 70 per cent and would last over a ten year period. The TIEG is meant to directly help offset annual operating costs and therefore economic rents. It should be noted that the City only has purview over the lower-tier municipal portion of the tax assessment.

It is proposed that only uses defined as Office use under MPAC assessment be applicable for TIEG. Furthermore, TIEG would only apply to the office portion of a mixed-use building, and other tax classes located in the same land or building that the office uses occupy would not be eligible for TIEG financing.

Cash-in-Lieu of Parkland Exemption / Reduction

Another tool available through the CIP is a grant or reduction of CIL Parkland. This tool would waive collection of 2 per cent of the land value for office space is not overly onerous on its own since office spaces greater than 10,000 square metres in intensification areas are usually of a higher density built form.

The larger effect of CIL of Parkland contributions will be experienced by mixed-use developments wherein high density residential is mixed with office development of spaces greater than 10,000 square metres. The combination of these types of developments is desirable from an urban development perspective and the development industry has indicated that combining these uses is an economically viable way to develop office space. It allows the cross-subsidization of residential revenues offsetting the capital and operating costs of office spaces.

The CIL of Parkland tool being proposed for the VMC is a lever that provides one unit of high density residential a discount on CIL of Parkland from the new $8,500/unit rate to the old (pre-2012 CIL of Parkland by-law) rate of $4,100/unit which allows for a discount of $4,400/unit for every 750 square feet of office development built on the same development site. This discounted rate will be maintained regardless of any future changes to the CIL parkland per unit rate.

These three tools constitute the majority of the financial incentives being proposed for adoption in whole, or in part for the VMC and the Weston and Highway 7 Primary Centre. Staff will examine opportunities for expedited development approvals for office uses, which although there are no significant financial implications for this program, may save the developer and tenant(s) time and additional expense. Resource implications for the affected departments (e.g. Development Planning, Engineering) must be assessed prior to implementation.

The implementation of the CIP requires an investment by the City, but will also provide a return on investment

The full investment cost of the CIP program is difficult to determine as the magnitude of office developments over the next five years is difficult to pinpoint. To date, development applications for office projects where a CIP could be applied retroactively, accounts for 34 per cent of the total eligible space signifying that the uptake on the program will likely be successful. On the assumption that the full allowable 139,355 square metres (1.5 million square feet) of office space is developed during this period, the investment over the next fifteen years will be approximately $17.6 million. The CIL Parkland portion of the grants represents forgone revenues, rather than actual expenditures; however the DC grants and TIEGs will require funding over the long term such as 25 years. This will be determined through future budget processes. Table 1 below illustrates the net financial effect of the proposed incentives.

Table 1 – Proposed CIP Incentives

Incentive Type	Maximum Exposure
DC Grants / Reduction & DC Deferral	$4.7 million
TIEGs	$3.3 million
Cash-in-Lieu of Parkland	$9.6 million
Total Maximum Exposure	**$17.6 million**

By making this early investment to encourage the acceleration of “urbanization” within the community project areas the City attempts to isolate itself from fluctuations in certain economic conditions for office development. Furthermore, momentum may grow following the completion of several early office projects which should improve the investment confidence in Vaughan with regards to these types of developments. Urbanization in these areas would create better utilization of infrastructure investments, improve the ability to attract a younger demographic of workers and would strengthen the City’s ability to attract cultural and educational institutions.

Based on the evaluation of several recent developments it could be assumed that the assessment value would be approximately $2,293 per square metre. Using this assumption and excluding any consideration towards the incentives and rebates outlined in this report, the 139,355 square metres (1.5 million square feet) of office space approved within the plan would add in the order of $319.5 million in new assessment to the City. This would result in approximately $865,000 of additional annual revenue being generated by the City in property tax revenue (based on the 2014 tax rates). The Regional taxation revenues related to this office development would be approximately $1.49 million per year and the Provincial education component would be approximately $3.37 million per year.

By narrowing the gap between market rents for office space, the CIP also has an effect on maintaining a balanced assessment ratio. Currently, the majority of development applications in the VMC and Weston and Highway 7 Primary Centre, is skewed toward high rise residential developments. The addition of office developments would help to address this imbalance.

The creation of office employment would also spur other types of investment in the area. Spending by employees would add value to the local community by creating a domino effect for retail and other tertiary employment. This will bring vibrancy and a sense of place to the downtown in the earlier phases of development.

Phase 3: Implementation of the Community Improvement Plan

The enactment of the CIP by-law

Following the Committee of the Whole Public Hearing, staff will consolidate and review the comments received from the public. Once public input has been addressed, a Final CIP Study Report and CIP By-law will be brought forward to the November 3, 2015 meeting of Committee of the Whole for consideration. Should Council approve the CIP program, a by-law to implement the program will be forwarded to Council for enactment on November 17, 2015, the Region and MMAH will be advised, and the By-law is expected to take full effect by the beginning of 2016.

Marketing and communications strategy

The Economic Development Department is in the process of developing a multi-pronged approach to marketing the CIP. In addition to the landowners being aware of the CIP, it is also vital that the brokerage community and potential tenants are aware of the Program and are factoring it in, as part of their site selection process. Staff is preparing a brochure and application package for the CIP which will be posted on the City's VMC website. In addition, the materials are being included in business proposal packages and presentations at Realtor Roadshow events.

As a part of the communication plan for the CIP there will be a dedicated first point of contact for landowners who wish to participate in the program. As a part of the Pre-Application Consultation (PAC) process the application package will be supplied and pre-approval to the program will be evaluated.

Administration of the CIP

The CIP is a multi-departmental program requiring the input of the Real Estate Division, Development Finance & Investments, Property Taxation, Policy Planning, Development Planning and Economic Development Departments. Staff has undertaken the development of a process flowchart (see Attachment 4) to guide the review and approval of CIP applications, pre-qualifications and CIP agreements. Tracking of all applications will be coordinated on the SharePoint platform to allow staff to share information and avoid duplication of efforts.

In order to allow staff to report back to Council on the uptake of the program and forgone revenues, landowners will be required to follow certain protocols in order to facilitate the tracking of the program. These requirements will be included in the CIP by-law and in marketing materials that will be provided to eligible Landowners.

Monitoring and reporting on metrics

On an annual basis, Staff will provide Council with a status update on the CIP, reporting on level of uptake, pending applications and estimates on forgone revenues. At the end of the five-year term these results will be consolidated and a revision to the funding/investment strategy will be adopted as necessary through future budget processes.

Future updates to the CIP

The CIP will be fully reviewed upon its five-year expiry date or upon full usage of the 139,350 sq. m. of office space, whichever occurs first. The CIP by-law gives Council the flexibility to accommodate changes; at the end of the five year by-law term, an update, extension or refinement of the CIP will be at the discretion of Council.

Relationship to Vaughan Vision 20|20 Strategic Plan

This report is consistent with Vaughan Vision 20|20 Strategic Plan – Goal 1: Plan and Manage Growth and Economic Well-Being. It is also consistent with Goal 4 of the Economic Development Strategy that states "Grow Vaughan's dynamic quality of place and creative economy".

Regional Implications

The Region of York's Official Plan places tremendous importance on the Centres and Corridors within its local municipalities (of which the VMC is one) as the cornerstone to achieving provincial population and employment growth and intensification targets. The implementation of a CIP by the City of Vaughan, focused on office development and generating office employment, is aligned with Regional objectives.

Despite the various financial incentives being offered as a part of the Community Improvement Plan, the Region continues to collect the lion's share of DCs and property tax for these types of developments. In order to achieve a more fulsome incentive approach the City will continue to advocate to the Region to consider similar financial incentives to ensure that high quality office employment is strategically positioned with access to high order transit systems, which will benefit the local, regional and provincial economy.

Copies of this report will be forwarded to the Region of York as well as the MMAH.

Conclusion

To promote development of the VMC and Weston and Highway 7 Primary Centre, there needs to be a balance between residential and employment uses. While residential developments are anticipated to fare well, Vaughan faces challenges in competing for office development against other centres in the GTA.

By establishing a CIP, there will be a strong point of differentiation for the VMC in a marketplace that faces tremendous pressure in terms of office space availability and mounting rental costs. A CIP, as proposed, would allow Vaughan to get out of the gate first amongst its competitors and achieve its economic development goals while balancing the financial exposure of the City.

The set parameters of the proposed CIP place a singular focus on accelerating office development in the VMC and Primary Centre at Weston Road and Highway 7. A term of five years for the CIP Program imposes a time limit, sends a strong signal of the City's commitment and acts as an immediate call for action from the development industry. The Planning Act requires a review of the CIP after the five-year period, and at that time, staff will assess the further need for incentives, including applicability to other primary centres and intensification areas in Vaughan.

Amongst the various asset classes, Class A office development is the most sought-after, and the most difficult to achieve. Generating the highest economic rents, while producing taxable assessment, and high-value jobs, the rewards associated with attracting high-value office tenants plays out in a myriad of perspectives - social, cultural and economic. An investment in the CIP is a constructive investment that will pay back in future prosperity for Vaughan.

Attachments

1. Community Improvement Plan Study – Final Report
2. Draft Community Improvement Plan By-law to designate the Community Improvement Project Areas
3. Draft Community Improvement Plan By-law to adopt the Community Improvement Plan for the Community Improvement Project Area
4. CIP Process Flowchart

Report prepared by:

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Respectfully submitted,

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Attachment 1

COMMUNITY IMPROVEMENT PLAN FOR OFFICE USES IN TWO COMMUNITY IMPROVEMENT AREAS

VAUGHAN

FINAL REPORT

HEMSON Consulting Ltd.

URBAN STRATEGIES INC.

September 10, 2015

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EXECUTIVE SUMMARY

The City of Vaughan's proposed Community Improvement Plan (CIP) is intended to create a more competitive market in order to accelerate office developments into two strategically planned areas: the Vaughan Metropolitan Centre (VMC) and the Weston Road & Highway 7 Primary Centre. Herein referred to as the Community Improvement Project Areas (CIP Project Areas), these areas will encompass the City's new downtown and an adjacent primary centre, that will help concentrate future qualifying office developments into a strategic location.

To achieve Council's vision of Vaughan's future downtown as a vibrant, mixed-use community by 2031, City staff are working to accomplish the following development targets within the 179 hectares (442 acres) that compose the VMC:

- 139,355 square metres (1.5 million square feet) of office space, at minimum
- 69,677 square metres (750,000 square feet) of retail space
- 12,000 residential units to be home to 25,000 people
- Minimum density target of 200 people and jobs per hectare by 2031
- Employment targets of 11,500 jobs of which 5,000 will be new office jobs

The implementation of a CIP as permitted under Section 28 of the *Planning Act,* will assist in achieving these targets. As per Council's direction on May 27, 2014 staff were to "initiate a CIP Study for the primary purpose of promoting major office development in the intensification corridors and the VMC"[1]. The rationale for the CIP is to alleviate certain financial barriers to office development that has resulted in the current shortage of large-sized offices in the City. Through the use of targeted financial incentives, the City's competitive position will improve and the rate of large-sized office development should accelerate.

[1] *"Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development". Item 4, Report No.2. of the Priorities and Key Initiatives Committee, adopted by City Council on May 27, 2014.*

The CIP program and the identified financial incentives described in the report have been developed based on input from various City Departments including Economic Development, Planning, Finance, and the City's consultants. Several development industry stakeholder sessions where held throughout the CIP process. The need for the program, the selected financial incentives and the detailed administrative criteria all incorporate many concepts and suggestions provided by landowners and developers.

Under the proposed CIP program, financial incentives will be made available to qualifying office developments in the CIP Project Areas that are over 10,000 square metres (107,639 square feet) in size and will apply retroactively to qualifying offices with building permits issued on or after January 1, 2014. The CIP program will conclude and require renewal five years after by-law passage or after 139,355 square metres (1.5 million square feet) of space has qualified, whichever occurs first. However, funding for the program could potentially be incurred over a 15 year period. The maximum forgone revenue from the program is estimated to be $17.65 million. Forecast new property tax revenue will notionally offset this amount following an additional ten years of full property taxes being paid (25 year period in total), before accounting for the servicing costs associated with the new developments.

A summary of the proposed incentives are provided below:

Development Charges Reduction	• Reduced DC rate applied to the gross floor area of qualifying office uses
Development Charge Deferral (VMC Only)	• DCs for office uses may be deferred for an 18 month period if a Letter of Credit is provided with the full amount due
Tax Increment Equivlent Grants	• Annual grant provided to help offset the municipal property tax increase resulting from the development or redevelopment of a property
Cash-in-Lieu of Parkland Exemption/ Reduction	• Full exemption provided for office development • Reduced rate for residential developments that provide office space

I WHY UNDERTAKE A CIP STUDY FOR OFFICES?

The City of Vaughan is one of the fastest growing municipalities in the Greater Toronto Area (GTA). In the context of this rapid growth, large-sized office development has not occurred at the same rate as residential, retail and industrial development. Furthermore, the majority of office development in the City has been in a suburban format characterized by low density buildings with surface parking, with only a limited amount being located in the City's key intensification areas.

Council has indicated, through its intent to undertake a CIP Study and By-law, that attracting large-sized offices is a priority. However, this development must occur in a fiscally and socially responsible manner consistent with Provincial, Regional and City policy objectives.

The CIP Study considers two fundamental policy objectives:

1. To influence the location of development; and
2. To influence property owners' land-use development decisions within the defined CIP Project Areas.

A. VAUGHAN'S OFFICE LOCATIONS, PARTICULARLY THE VMC, FACE HIGHLY COMPETITIVE CONDITIONS

The VMC faces both regional and local challenges. These challenges have been identified in staff reports, presentations by consultants, office development scenario studies and through discussions with development industry stakeholders and City staff[2].

[2] *Staff Report. (2014).* Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development.
Altus Group. (2013) [Presentation]. Vaughan Metropolitan Centre Office Incentives Study.
Live Work Learn Play. (2012). [Presentation]. Preliminary Office Market Study.

1. VMC Competitive Market Overview

As shown in Table 1, the City of Vaughan, compared with other municipalities in the GTA, is still developing its office sector. The City needs to provide an incentive program to accelerate large-sized office development to overcome a number of challenges, including:

- Current lack of large-sized office development in the City;
- Competition with other municipalities, who have a larger base of offices, to attract a finite amount of development; and
- Delaying the implementation of an incentive program will likely cause the City to lag even further behind.

To help address these deficiencies and encourage growth, a CIP program is one of the tools available to a municipality to help encourage types of development or redevelopment that the market has not been adequately providing.

Table 1

Employment Characteristics by Municipality

Municipality	2011 Total Place of Work	Major Office	% of Total Employment
Vaughan	**170,000**	**12,000**	**7%**
Brampton	171,000	12,000	7%
Mississauga	455,000	100,000	22%
Markham	144,000	43,000	30%
Richmond Hill	69,000	22,000	32%
Toronto	1,529,000	592,000	39%

Source: Hemson Consulting, Statistics Canada Census of Canada 2011 & National Household Survey

In the fall of 2012, Live Work Learn Play (LWLP) assisted the City with the development of an Office Market Study, specifically intended to examine the office development potential of the VMC. The report identified competitive submarkets, challenges and identified possible incentives to create a strong office node. Following this report, Altus Group was retained to further review and analyze possible incentives to address market challenges facing large-sized office development in the VMC. The work also included an inventory of office space in neighbouring urban and suburban markets. In May 2013, Altus Group presented their findings to City Council. The findings from this presentation concluded:

- Office development in the VMC is in direct competition with other suburban markets namely; Mississauga, Markham and North York City Centre. Competing suburban markets are also improving higher-order transit service through, for example, Bus Rapid Transit (BRT).

- The existing vacant supply of suburban office space also competes with new office development in the City.

- Challenges exist with land costs and the financial feasibility of projects.

- Land owners need to be encouraged to develop in accordance with City's planning objectives for the VMC.

- In 2013, Vaughan contained 204,000 square metres (2.2 million square feet) of office space, which 158,000 square metres (1.7 million square feet) is considered Class "A" space. This is the lowest amount of total space offered among the identified competitive sub-markets.

- Overall it was found that the net and gross office rental rates were slightly higher in the City of Vaughan than other areas in the GTA, thus incentives would help encourage office development and allow Vaughan to become a more competitive market.

2. Findings from CIP Consultation

Since the CIP Study was initiated, a number of meetings and consultation sessions have occurred to discuss potential challenges and opportunities relative to office development. This consultation program consisted of the following:

- Discussions with City staff;
- Written submissions and in person discussions with the Region and Province, requesting participation in the program;
- Presentations at two VMC Working Group meetings;
- Presentation to VMC Subcommittee of Council;
- One-on-one consultation with landowners;
- Promotion of forthcoming CIP program to key development industry groups including BILD and NAIOP;
- Review of prior studies; and
- Experience in other municipalities.

Table 2 provides a description of the identified challenges facing office development within the CIP Project Areas and the proposed solutions as identified through the CIP framework.

Table 2

Summary of Office Development Challenges

Challenge	Description / Comments	Proposed Solution
1. Availability of Office Space / Lack of Demand	• Wide availability of office land relative to demand (in the GTA, supply outperforms demand three-to-one) • Attractiveness of suburban locations with ample surface parking • Vaughan is in direct competition with surrounding employment nodes in Mississauga, Markham and Toronto	• Provide financial incentives to encourage office development through a CIP program

2. Parking	• Environmental constraints relating to the high water table may necessitate above ground integrated parking which may trigger Section 37 contributions
	• Parking ratio demanded by potential tenants and current Zoning By-law is costly to meet
		• Planning processes outside of the CIP framework can be utilized, for example:
		  • Qualifying offices with at least two levels of below grade parking will not be required to make Section 37 contributions for up to two storeys of extra height, where two storeys of integrated above grade parking is provided
		  • The City, through its review of Parking Standards, may make changes to the parking ratio requirements in the VMC at a later date

3. Engineering and Design Costs	• Higher engineering and design costs in urban areas such as the VMC may influence decisions to locate large-sized offices in less restrictive markets	• Financial incentives provided through the CIP can help overcome these barriers and allow development to occur • Consider VMC-specific incentive, such as a DC deferral policy
4. Residential Development	• Competition from residential development may influence development decisions on mixed use sites • To date, the City has received applications for over 8,500 residential units	• Target CIP to qualifying office development to help ensure employment uses match the residential appeal
5. Brownfields	• VMC and Weston Road & Highway 7 contain a number of functional industrial and commercial uses • The City currently maintains a strong and modern building stock • These sites may be costly to redevelop in the future	• February 2006, *Brownfield Incentives Study* concluded that no redevelopment incentives were required • Brownfield incentives may be considered in the future as vacant sites become scarce

Source: Hemson Consulting Ltd., 2015

B. THE DEVELOPMENT OF OFFICE USES HAS PLANNING AND FINANCIAL BENEFITS

In an economic sense, the development of office uses provides several benefits.

1. Added Employment

Using the floor space per worker (FSW) estimate from the City of Vaughan's *2013 Development Charges Background Study* of 27 square metres per employee, the addition of 139,355 square metres (1.5 million square feet) of qualifying office space would correspond to 5,160 jobs. Recent trends indicate the amount of employees that could be accommodated in this space could be much higher.

This dense form of employment would significantly help the City reach its intensification targets. These jobs would also be well serviced by higher order transit providing connections to Vaughan and other Greater Toronto Area municipalities. In particular, the intensification targets as identified by the Region and Province, would be further realized through the acceleration of qualifying office development in the CIP Project Areas.

As detailed in Table 3, there are less major office jobs in Vaughan than the number of Vaughan residents who work in major offices, this results in a net out commuting scenario. For the purposes of comparison, major office employment types are defined as office buildings of 1,858 square metres (20,000 square feet) or greater.

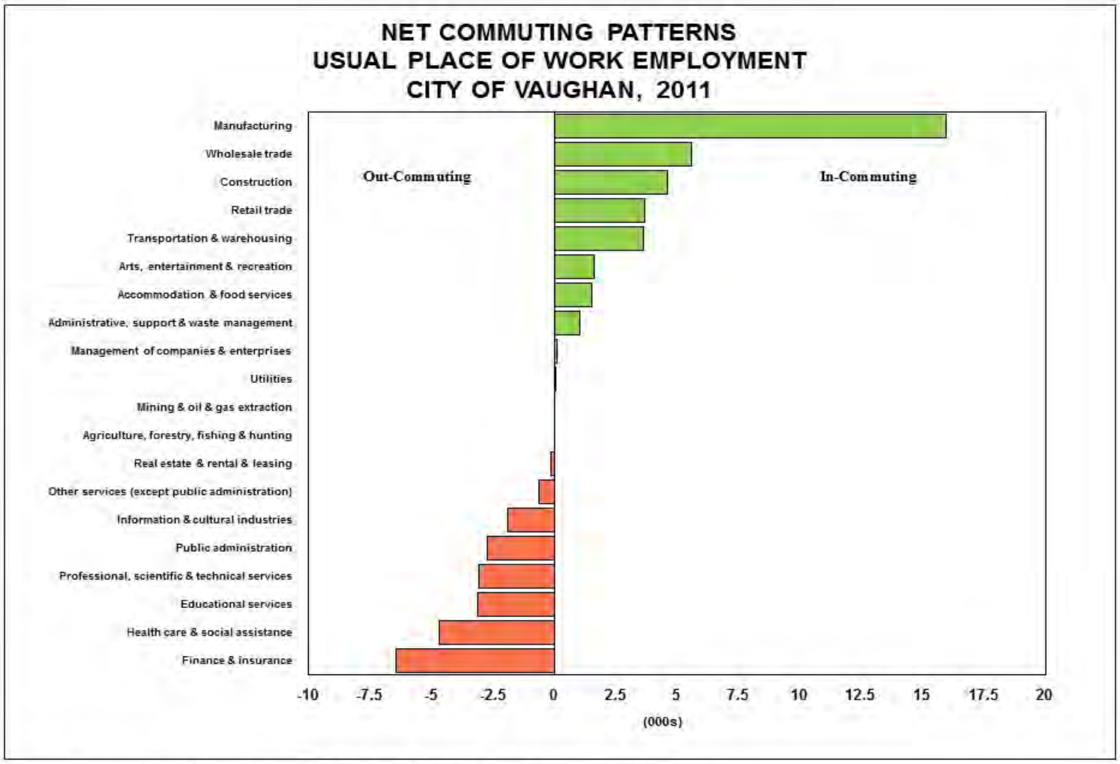
Table 3
Vaughan Major Office Commuting

Large-Sized Office Employment Type (2011)	Employment
Employees Who Work in Vaughan	12,000
Employees Who Live in Vaughan	13,900
Difference	1,900
Difference %	16%

Source: Hemson Consulting, Statistics Canada Census of Canada 2011 & National Household Survey

A more detailed graph of net commuting patterns is provided in Figure 1.

Figure 1



Source: Hemson Consulting Ltd. based on Statistics Canada, 2011 National Household Survey.

The knowledge-based industries, which typically occupy office buildings, include information and culture; public administration, professional, scientific and technical services; health care and social assistance; educational services; and finance and insurance. For all of these sectors, a net out commuting condition presently exists in the City.

By attracting knowledge-based businesses to Vaughan through the development of large-sized offices, the City can increase job opportunities in these sectors locally, allowing residents to work within the City rather than commuting to adjacent municipalities. The benefits of residents working in their own community include less traffic congestion and capturing economic benefits currently realized in other municipalities.

The strategic development of offices in the CIP Project Areas will help to achieve *Vaughan Official Plan* policies to provide a mix of non-residential uses that serve the population of the City and to develop densities supportive of high-order transit, for example. Office development will also help ensure the VMC meets the density targets identified in *the Growth Plan* and *Vaughan Official Plan 2010* of 200 people and jobs per hectare.

Notably, the VMC and Weston Road & Highway 7 areas also contain a significant amount of transportation infrastructure investments through the Toronto-York Spadina Subway Extension (TYSSE) and the construction of the York Region Transit (YRT) rapidways. As well, the areas are well serviced by a number of existing retail uses (e.g. restaurants, business supplies etc.) that can support future office workers. Further spin-off retail development could also be expected as offices are developed.

2. Added Assessment

Assuming an assessment per square metre value of $2,293 based on recent developments, 139,355 square metres (1.5 million square feet) of qualifying office space would add in the order of $319.5 million in new assessment to the City. Excluding any consideration of incentives or rebates, this would result in approximately $865,000 of additional annual City property tax revenue based on 2014 tax rates. Additional Regional taxation revenue would be approximately $1.49 million per year and the Provincial education component would be $3.37 million per year.

The development of qualifying office uses would also increase the need for municipal services. However, it should be noted, the tax rate that applies to office assessment is 12 per cent higher (1.12 tax ratio) than the rate for residential assessment (in 2014). This together with the proportionally lower operating costs associated with office uses, as compared to residential uses, is a key reason for encouraging this form of development. The development of office uses will also lead to the development of supporting retail uses that also have a 1.12 tax ratio compared to residential uses.

3. Construction-Related Benefits

The building and construction industry is a key employer in the City of Vaughan. The sector has noted that the development of offices also provides short-term construction benefits. Based on the Statistics Canada Input-Output multiplier, the development of 139,355 square metres (1.5 million square feet) of qualifying office space would lead to $540 million in direct, indirect and induced Gross Domestic Product (GDP) and 6,400 construction jobs[3].

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[3] *Based on construction cost of $360 per square foot per* Vaughan Metropolitan Centre – Office Development Pro-Forma Scenario Study by Altus Group

For each new office development additional benefits will be created through the "multiplier-effect". Local businesses, including existing coffee shops, restaurants and other commercial uses, will service the individuals employed to construct the buildings and eventually the employees of the office uses. A number of supplementary jobs related to providing security, maintenance and cleaning services for the new office uses will also contribute to employment opportunities within the CIP Project Areas and the greater City of Vaughan.

C. TWO SPECIFIC AREAS HAVE BEEN IDENTIFIED FOR CIP OFFICE POLICIES

The VMC has been identified as the key location for office development for many years. Following a review of other Official Plan Primary Centres, corridors and GO Stations, the Weston Road & Highway 7 area located adjacent to the VMC was identified as an appropriate location to target qualifying office development through a CIP framework.

1. Key Areas for Potential Office Development: The VMC

Through a multitude of studies, the City has identified the VMC as a key location for office development to occur.

- The VMC is an Urban Growth Centre and a major transit hub, and thus is an ideal location for large-sized office development[4]. The future subway station will allow a significant number of workers across Toronto and York Region to access VMC offices through the subway network rather than placing further demands on the already strained road network.

- In order to achieve planned employment growth targets, a considerable amount of office development must occur. Financial impediments that have constrained this type of development in the area will need to be overcome.

- An identified objective in the Vaughan Official Plan, once developed, the VMC will boast the highest density built-form in the City, which will include both residential and non-residential uses.

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[4] *As supported by the* Growth Plan for the Greater Golden Horseshoe (Growth Plan) *and the* City of Vaughan Official Plan, 2010

- Opportunities for businesses to collaborate or build on ideas and knowledge base from nearby academic institutions such as York University and Seneca College. York University, The University of Toronto and Ryerson University will all be accessible via subway access.

- A large supply of vacant and undeveloped land exists, thus allowing development to be designed without complications from having to disrupt existing residential areas.

2. Key Areas for Potential Office Development: Weston Road & Highway 7

In developing the CIP program, it was noted that some "Primary Centres" identified in the Vaughan Official Plan, may also benefit from similar, if not the same, CIP policies. As will be discussed, Weston Road & Highway 7, in particular, is located adjacent to the VMC and shares many characteristics including:

- Access to high-order transit;
- Future potential for large-sized office development; and
- Existing built form.

II CIP FRAMEWORK

A. WHAT IS A COMMUNITY IMPROVEMENT PLAN?

A CIP is intended to address physical, social, economic or environmental matters of identified areas in a municipality. Through Section 28 of the *Planning Act*, both single and lower-tier municipalities have the ability to designate lands subject to a CIP policy framework. Upper-tier municipalities are also permitted to provide CIP policies in accordance with *Ontario Regulation 550/60*.

- The *Planning Act* permits municipalities to provide incentives to "community improvement project areas" through official plan policies and by-laws. Through this plan, municipalities have the ability to provide grants or loans to land owners to achieve goals and objectives identified through the Plan.

- Under Section 106(1) and (2) of the *Municipal Act*, municipalities are prohibited from providing bonuses to manufacturing business or other industrial or commercial enterprises. However, Section 106 (3) permits a municipality to provide bonuses if a council has provided grants or loans in accordance with Section 28 of the *Planning Act.*

Municipalities can implement or provide financial tools and other incentives through a CIP framework which include, but are not limited to:

- Tax Increment Equivalent Financing (TIEF) or Tax Increment Equivalent Grants (TIEG);
- Development Charge Grants / Reduction;
- Building and Planning Fee Grants / Reduction;
- Cash-in-lieu of Parkland Reductions;
- Parking Requirement Reductions; and
- Density Bonusing through Section 37 of the *Planning Act*.

B. LOCAL, REGIONAL AND PROVINCIAL PLANNING POLICIES

The CIP framework in the City of Vaughan is designed to complement Provincial, Regional and local planning policy objectives. For example, section 10.8 of the *VMC Secondary Plan* identifies the use of a CIP as a tool to achieve planning policies relating to higher density targets, attracting mixed land uses, and public realm improvements through incentives.

These objectives will be supported and/or implemented through the CIP financial incentives applied to the VMC and other identified areas of the City. The policy context within which the CIP program is designed is set out in Table 4.

Table 4 – Page 1

Regional and Provincial Planning Policies	
Planning Policy	**Objectives of Policies in Relation to Proposed CIP Framework**
1. Provincial Policy Statement (PPS)	• Supports mixed-use development, employment, parks and open spaces, and a range of transportation options (i.e. support for active transportation and use of transit).
2. Growth Plan for the Greater Golden Horseshoe (Growth Plan)	• Encourage the development of complete communities that offer a range of opportunities for people to live, work, shop and play and to reduce automobile dependence while providing other transportation options. • The VMC, a designated Urban Growth Centre (UGC), will meet or exceed a density of 200 people and jobs per hectare.
3. Metrolinx The Big Move	• The VMC will support transit infrastructure including the York-Spadina Subway Extension and the VivaNext rapidway on Highway 7. • Office employment is an important component of the transit ridership required to utilize the new capacity provided by the higher-order transit lines.
4. Region of York Official Plan	• The York Region Official Plan states that Regional Centres, such as the VMC, should develop into the future downtown with the highest concentration and greatest mix of uses in the Region, and a range of employment and housing opportunities oriented towards rapid transit hubs. • The diverse mix of uses planned for the VMC will create vibrant and complete communities for living, working, shopping and entertainment within the Regional Centre.
5. Region of York Office Attraction Study	• Office development is encouraged in Regional Centres and Corridors. • Describes the highly competitive nature of the office market in York, Peel and northern Toronto. • CIP incentives could form part of a broader strategy.

Source: Hemson Consulting Ltd., 2015

Local Planning Policies — Table 4 – Page 2	
Planning Policy	**Objectives of Policies in Relation to Proposed CIP Framework**
1. City of Vaughan Official Plan	• VMC will become major focus of intensification of residential, office, retail, cultural and civic uses. • Intensification areas, such as the VMC, will accommodate the greatest mix of uses, heights and densities. • Growth within the VMC will meet or exceed the requirement density of 200 people and jobs per hectare. • Encourage large-sized office development in the VMC
2. Vaughan Metropolitan Centre Secondary Plan (Adopted December 2012) ***Currently under appeal***	• Office and retail development will be encouraged in sites surrounding the future subway station. • Offices must occupy a minimum of 35 per cent of the floor area on each development block identified in the schedules.
3. Vaughan Vision 2020	• Ensure that the VMC develops coincident with the subway extension. • As part of this initiative, the VMC strategy includes reviewing and facilitating development occurring within the VMC to support the planning objectives for the area.
4. Economic Development Strategy	• Position the VMC as Vaughan's premiere office node, specifically developments of greater than 12,500 square metres (134,549 square feet). • Consider use of CIP tools in employment areas.

Source: Hemson Consulting Ltd., 2015

C. SELECTION OF CIP PROJECT AREAS FOR OFFICE USES

CIPs are flexible and enable municipalities to provide incentives on a municipal-wide or area-specific basis. In May 2014, City Council endorsed, in principle, the establishment of a CIP to encourage and support the development of office uses. The VMC was identified as a specific focus.

City Council directed staff to undertake a CIP Study which was to consider the VMC and Primary Intensification Corridors as potential locations for large-sized office incentives. Through the Terms of Reference, the scope was expanded to encompass all intensification areas within the City where office development is permitted. Through the study process the scope was narrowed to the VMC, the Primary Centres and GO Stations. The specific locations that were evaluated are shown in Table 5 together with the key characteristics of each area.

Table 5

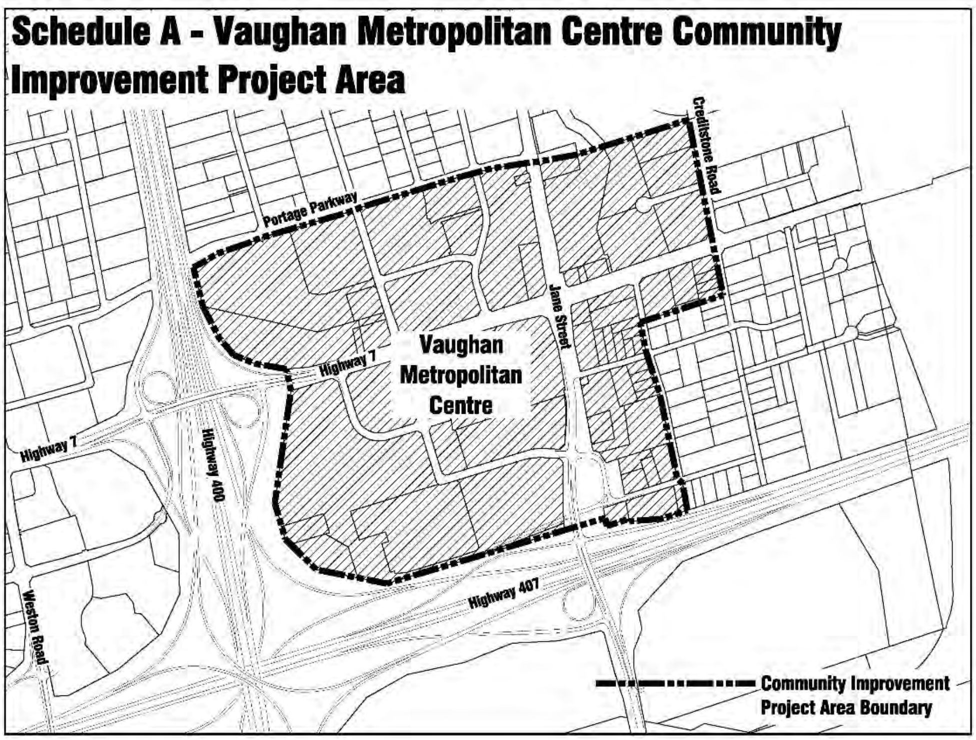
Justification for CIP Area Designation

Rationale	Primary Centres/ Identified Priority Areas	Features
Strong	• VMC • Weston Road & Highway 7	• Urban Growth Centre (VMC) • Subway utilization • Underground/structured parking • Amenities & design • Establish successful node
Medium	• Yonge & Steeles • Steeles, Keele to Jane	• Subway utilization (short-term Steeles) & (long-term Yonge) • Less infrastructure in place • May compete with VMC
Limited	• Vaughan Mills Centre • Bathurst & Centre • Northwest corner of Jane & Major Mackenzie • Concord/GO Centre • Rutherford GO Station • Maple Go Station	• No subway • Surface parking • May compete with VMC • Longer-term growth horizon

As shown in Table 5, in addition to the VMC, there is a strong rationale for the inclusion of Weston Road & Highway 7 in the program. The analysis conducted as part of this study confirmed that the VMC and Weston Road & Highway 7 are the most appropriate locations for the CIP qualifying office program at this stage in the development of Vaughan. Should Council approve a CIP By-law, it would be relatively straightforward to implement a program for other areas of the City in the future.

The next two sections describe the rationale for implementing a CIP office program for the VMC and Weston Road & Highway 7 areas.

1. The Vaughan Metropolitan Centre (VMC)



a. Location

- The VMC is located near the southern boundary of Vaughan and is intended to become the City's new downtown core, bordered by Highway 407 to the south and Highway 400 to the west.

b. Access to Transit

- The future subway station will allow a significant number of workers across Toronto and York Region to access VMC offices through the subway network rather than placing further demands on the already strained road network.

- The development of the new SmartCentres Bus Terminal at the junction of the future VMC subway station and the YRT Highway 7 rapidway will provide transit riders with connections beyond York Region.

- High-density residential and employment uses will be located within a 5-minute walking distance from the subway. In addition, three Highway 7 rapidway stations will also be located within the VMC, providing convenient access to the neighbouring municipalities of Richmond Hill and Markham.

c. Infrastructure Investments

- Collectively, the Region of York, City of Toronto and senior levels of the Provincial and Federal governments have invested in the order of $2.6 billion for the construction of an 8.6 km extension to the Toronto subway system, with one of the six stations being within the VMC. Given this investment and the transformational improvement to the VMC's accessibility, it is important that intensive land-uses, such as large-sized offices, which benefit most from the subway, are constructed close by.

- Significant investments have also been made for the Highway 7 dedicated Bus Rapid Transit (BRT) line which will support the development of a transit hub within the VMC. More than $2 billion has been invested for the construction of the Highway 7, Yonge Street and Davis Drive in Markham, Richmond Hill, Vaughan and Newmarket rapidway. The development of the new SmartCentres Bus Terminal is another significant investment that is specific to the VMC.

- Significant municipal infrastructure investments are being made in the area including Black Creek channelization works, Edgeley Pond improvements, and other stormwater infrastructure to help unlock lands for intensification.

- The area will also include major parks and open space which can be utilized by both residents and employees of the area.

d. Economic Development

- Experience in other jurisdictions has indicated that once a successful office node is established it can become largely self-sufficient. In effect, the presence of office development tends to attract more office development in addition to a number of tertiary uses. The clustering of engineering firm offices in the Commerce Valley area of Markham is a GTA example of this tendency.

- One of the pillars of the Vaughan 10-year *Economic Development Strategy* is to further nurture the creative economy to better connect knowledge-based workers (as shown in Figure 1) to local businesses. Importantly, the Strategy also recommends the VMC become Vaughan's Premiere Office Node.[5]

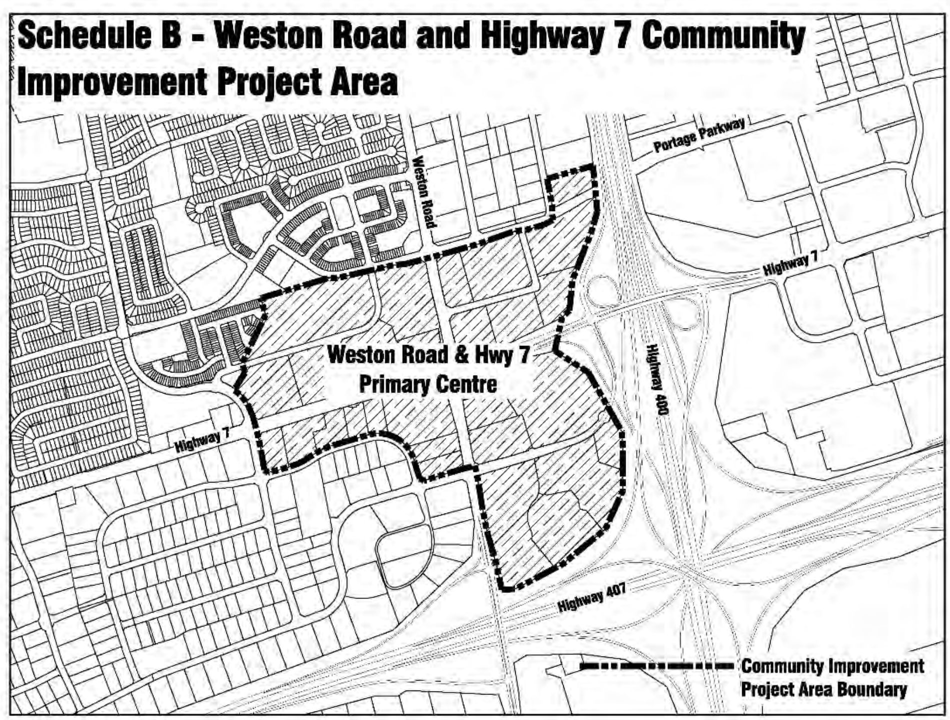
- Office development, particularly within Vaughan's downtown, is an important component of the City's economic development vision. Creative industries will be an important asset to downtown Vaughan and will be attracted through a strategic mix of land uses including residential, office and retail developments. More importantly, art and cultural investments targeted within the downtown area will support "place-building" principles that make the VMC attractive for creative industry employees.

- The City's *Employment Sectors Strategy* identifies the attraction of industries with strong economic growth prospects as a priority. These knowledge-based sectors will require growth in the Vaughan's office space market to accommodate new businesses and jobs, specifically within the professional, technical and scientific services, green industries, tourism and information and culture sectors. The strategy identifies the need for more "major office" developments in Vaughan as a key driver in attracting companies that operate in these sectors.[6]

[5] *Millar Dickenson Blais. (2010) City of Vaughan Economic Development Strategy – Chapter 10 Strategic Goals and Action Plan.*

[6] *Hemson Consulting Ltd. (2010). Employment Sectors Strategy Final Report.*

2. Weston Road & Highway 7 Primary Centre



a. Proximity

- The Weston Road & Highway 7 area is located immediately west of the VMC across Highway 400.
- It is an appropriate area for large-sized office development due to its proximity to the VMC, the subway system and the provincial highway system.

b. Access to Transit

- The eastern end of the area is within walking or cycling distance of the future VMC Subway station.
- The area will also be connected to the VMC by the future western portion of the Highway 7 VIVA rapidway with proposed stations at the intersections of Highway 7 and Commerce, Weston, Ansley Grove, and Pine Valley. Construction is anticipated to begin in 2016.

c. Existing Built Form

- The area is primarily comprised of commercial and light industrial uses. Underutilized areas, such as surface parking, provide opportunities for future office development.

- The development that occurs in this area will support the VMC, and in turn, contribute to the achievement of the vision for the area.

3. Other Primary Centres

In contrast, the rationale for providing incentives for office development in other areas is more limited. Some of the limitations of these areas include:

- Lack of infrastructure. Additional public and private investment would be required before significant office development could occur.

- If a CIP framework were to apply to other primary centres, the competition they would represent would be detrimental to the planning objectives for the VMC and Weston Road & Highway 7.

- Funds available to implement a CIP framework are limited.

- Limited or no access to higher order transit (i.e. not located within walking distance of proposed subway stations).

Although development in other primary centres may support the overall objectives of developing office space within the City, for the reasons above it is recommended the CIP program initially focus on the VMC and Weston Road & Highway 7 areas for the initial program. This focus could be reviewed after the CIP objectives for the initial areas are being achieved.

4. Identified Priority Areas and GO Stations

Although a location of transit-orientated development, both the Maple and Concord GO Stations are not proposed to be included in the CIP program at this point. The intent of the CIP is to encourage qualifying office development over the short-term period of the by-law, whereas the development of mixed-uses surrounding GO Stations will likely be required over a longer planning period.

The short-term built-form of these areas will be primarily focused on the development of residential uses through intensification. Although mixed-uses which incorporate commercial and office activity will also be developed, and at times, targeted in these areas, the incentive for office development in these areas may dilute the ability to develop the VMC and Weston Road & Highway 7 areas.

It should be noted that although these sites are not currently being considered for this CIP framework, in the future, Council may identify and designate other areas to which this or another CIP framework may apply.

III CIP GOALS & FINANCIAL TOOLS

This section of the report describes the framework for the CIP including the goals, policies and proposed incentives. It also describes other proposed policies that while not part of the CIP would also help encourage office development.

A. PROGRAM GOALS

The CIP program will contribute to ensuring that the VMC, as the future downtown of the City of Vaughan, will become a focal point for the entire City and an important hub of activity within the GTA. The City's downtown is intended to support the development of communities which provide for residential and employment uses as well as parks and open spaces.

The CIP program will initially focus on supporting development of 139,355 square metres (1.5 million square feet) of qualifying office space which will complement the residential and commercial development interest in the area. It is proposed that the CIP program will be in effect for five years or until 139,355 square metres (1.5 million square feet) of qualifying office space has been developed, whichever occurs first at which time Council can decide whether to renew and or amend the program.

B. PROPOSED CIP POLICIES

The CIP policies and financial incentives include:

- City's initial CIP framework from 2014;
- Industry stakeholder feedback;
- Funding requirements as presented to Council; and
- A review of policies in other municipalities.

C. RECENT QUALIFYING DEVELOPMENTS IN CIP AREAS

It is proposed that the CIP program apply retroactively to developments that have received building permits on January 1, 2014 or later. Although a CIP by-law has yet to be approved by Council, development industry stakeholders have been made aware of the planned program and two qualifying developments are under construction.

Table 6 Qualifying Office Developments Under Construction		
Development	**Floor Area (sq. m)[1]**	**Residential Units**
SmartCentres-KPMG	33,320	0
Liberty-7777 Weston	14,357	783
Total	**47,677**	**783**

Note 1: Based on site plan measurements, subject to change.

As shown in Table 6, 47,677 square metres (513,191square feet) of qualifying office space is under construction. This represents 34 per cent of the program's 139,355 square metres (1.5 million square feet) target. While this space represents a solid start, a significant amount of additional space is required to create an office cluster that meet intensification targets.

D. CIP FINANCIAL INCENTIVES

Within a CIP framework a range of policies are permitted, however, the City can implement all or some of the policy tools depending on its own particular goals and objectives.

For a development to qualify for incentives it must contain at least 10,000 square metres (107,639 square feet) of qualifying office space. Other criteria or conditions of grants or other financial incentives may also apply and are discussed in greater detail in the following sections. These will be stipulated through the Council approved By-law(s).

The maximum estimated exposure is intended to reflect the maximum amount of revenue the City may forgo if the entire 139,355 square metres (1.5 million square feet) of office development is constructed. In particular, the City also seeks to gain additional revenues through property taxes and investments into the local economy.

In the absence of these incentives, large-sized office development most likely will continue to locate in other markets which have more competitive advantages.

Table 7 provides an overview of the maximum amount of revenue that the City would forego as a result of implementing the proposed CIP framework.

Table 7

Maximum Forgone Revenue Based on Proposed Incentives

Incentive	Maximum Forgone Revenue	Maximum Future Forgone Revenue Considering Qualifying Developments to Date[1]	Comments
DC Reduction	$4,645,000	$3,056,000[2]	• Reduction for office cannot be recovered through other types of development. • Forgone revenue will likely be recovered through tax.
DC Deferral	$56,000	$56,000	• Based on 3 per cent (2 per cent annual rate) interest over the 18 month period. • Would not apply retroactively. • Assumes all future qualifying development would be in VMC.
TIEGs	$3,331,000	$3,331,000	• Represents forgone revenue. • City would still gain $5.32 million in net taxes.
CIL Parkland	$9,613,000	$6,338,000	• Foregone revenue would likely be much less (see Page 29). • Would reduce parkland acquisition capital program.
Total	**$17,645,000**	**$12,781,000**	• Total represents that absolute maximum amount of forgone revenue to achieve 139,355 sq.m (1.5M sq.ft) of office space.

Note 1: Based on site plan measurements, subject to change.
Note 2: Notwithstanding the proposed CIP, developers were provided option of prepaying DCs at old rate as part of 2013 DC By-law implementation.
Source: Hemson Consulting Ltd., 2015

It is important to note that the amounts shown in Table 7 would be spread over a number of years depending on the pace of development. It is also important to note that while the TIEG could "cost" $3.33 million, the City would still receive an estimated $5.32 million of additional taxes. As well, collectively the Region and the

Province would receive approximately $29.89 million in net property and education taxes should they also participate in the program.

1. Development Charge Reduction

A reduction or grant-in-lieu of development charges is a common tool used in a CIP to encourage development. Typically, a reduction is applied up to a certain amount, or for a certain period, for specified types of development including brownfield, infill, residential or non-residential redevelopment or development. The life of the grant typically coincides with the life of the CIP by-law, however, the reduction may be extended at the discretion of council.

For the proposed CIP, office development within the CIP Project Areas would pay a reduced development charge rate of $20.35 per square metre (the August, 2013 rate). It is proposed that this provision be applied retroactively to development applications submitted on or after January 1, 2014.

The total financial impact on development charge revenues for providing a reduced development charge rate is shown below:

Table 8
Development Charge Revenue Impacts

Charge	Current Rate ($/sq. m)	CIP Reduced Rate ($/sq. m)	Reduction ($/sq. m)	Reduction (%)	Total Forgone Revenue
City-Wide DC	$53.68	$20.35	$33.33	62%	$4,645,000

Source: Hemson Consulting Ltd., 2015

Reductions for qualifying office development can also be implemented through a development charge by-law, but often apply across the entire municipality. By implementing a reduction through a CIP program, the incentive can be targeted to an identified area and coupled with other financial programs.

2. Development Charge Deferral

Development charge deferral agreements, as permitted under the *Development Charges Act*, can be used to encourage certain types of development. The total amount of development charges payable, and the period of the time that payments can be deferred for, is determined through an agreement with the municipality.

Recognizing the primary importance of getting Vaughan's new downtown off to a quick and substantial start, it is recommended that qualifying office developments in the VMC Project alone be eligible to enter into deferral agreements with the City for development charges payable on the gross floor area related to office space. For ease of administration, the same office deferral policy implemented by York Region will be utilized.

Office developers would be able to defer their payment of development charges for an 18 month period provided that a Letter of Credit is issued to the City for the full amount due. Payments will be deducted from the Letter of Credit 18 months after the building permit is issued.

Assuming 3 per cent interest over the 18 month period (2 per cent annual rate), this incentive would result in a revenue loss of $56,000 for the remaining qualifying developments. This is a conservative estimate since it assumes all future qualifying developments would be in VMC. This policy would not apply retroactively to developments where development charges have already been paid.

3. Tax Increment Equivalent Grant (TIEG)

In accordance with Section 28 of the *Planning Act*, a municipality may provide grants or loans within a designated CIP area. A TIEG is a grant used to offset either all or a portion of the municipal property tax increase (i.e. the increment) resulting from the redevelopment or development property. It should be emphasised that net of the grant, municipalities still receive more taxes as a result of the increase in the assessment base.

For qualifying developments, the calculated TIEG would be phased over a ten-year period, starting at 70 per cent of the property taxes, and declining at a proportionate rate over the identified period.

Table 9 below identifies the total estimated property tax revenue that the City would forego based on the entire 139,355 square metres (1.5 million square feet) of office space being constructed and is calculated using an estimated value of $319.5 million in new assessment. Appendix B provides further details relating to the calculation of the total net taxes and grants and assumptions used in the calculation.

Table 9 TIEG Summary: Net Taxes and Grant Amount			
	Year 1	**Year 10**	**Total**
Grant Amount to Developer (%)	70.0%	7.0%	38.5%
Net Taxes to City (%)	30.0%	93.0%	61.5%
Grant Amount to Developer ($)	$605,700	$60,600	$3,331,400
Net Taxes to City ($)	$259,600	$804,700	$5,321,600
Taxes Before Grant ($)	**$865,300**	**$865,300**	**$8,653,000**

Source: Hemson Consulting Ltd., 2015

The TIEG amounts are limited to the assumed City component of property taxes. The Region and Provincial components would be unaffected unless they were to also participate in the program.

4. Cash-in-Lieu (CIL) of Parkland

Parkland dedication, as directed under the *Planning Act*, is required as a condition of land development or redevelopment through a plan of subdivision, consent or site plan application. Cash-in-lieu of parkland is collected when parkland cannot be acquired on site or if another acceptable site cannot be obtained. Contributions can be costly for developers, thus in order to incent development a reduction in cash-in-lieu contributions may be used.

Large-sized office uses can be developed as stand-alone or as a mixed-use office/residential, or office/commercial building. By constructing two distinct uses as part of the same site or building, the overall feasibility of a project may be improved, thus allowing the development of uses such as offices, which can be costly to develop. Under the proposed CIP framework, developments located in the CIP Project Areas will be subject to reduced CIL for parkland requirements as follows:

- 100 per cent exemption for office development; and
- A discounted rate applied to mixed office/residential developments. For high density residential dwelling units, a discount of $4,400 per unit would be applied for every 70 square metres (753 square feet) of qualifying office space developed. For example, applicants who would be subject to the current high density residential CIL of parkland rate of $8,500 per unit would pay a discounted rate

of $4,100 per unit. Office space within a mixed-use development will be exempt from CIL contributions.

In accordance with Section 42 of the *Planning Act*, payments in lieu of land conveyance (referred to as cash-in-lieu) for commercial and industrial uses (including office development) are charged at a rate of two per cent of the total land value. In contrast, the current residential rate for CIL of parkland is calculated based on the value of 1 hectare for every 300 units.

The City is anticipated to forego CIL of parkland revenue as a result of these incentives. The potential forgone revenue the City could anticipate ranges from approximately $813,000 to almost $9.61 million. However, the maximum amount of forgone revenue of $9.61 million will most likely not be reached as it is based on the assumption that all 139,355 square metres (1.5 million square feet) of qualifying office space would be achieved through mixed-use developments. In practice, the total amount of CIL of parkland funds that will be forgone will likely be lower as some of the office buildings will not be linked with residential units and therefore will not qualify for the reduced residential CIL for parkland.

Table 10

CIL Parkland Summary

Type of Development	Maximum Amount of Development	CIL Exemption or Discount	Maximum Forgone Revenue	Comments
Office Development	139,355 sq.m.	100% exemption	$813,000	• Forgone revenue based on constructing office space only
Residential Development (Mixed-use)	2,000 units with 139,355 sq.m. of office space	Discount of $4,400 per unit	$8,800,000	• Forgone revenue based on achieving total office space through mixed-use development • Higher revenue lost due to residential CIL contributions
Total Max. Forgone Revenue			**$9,613,000**	• Cumulative impact of providing reduced CIL requirement for mixed-use development and office space

Source: Hemson Consulting Ltd. & City of Vaughan, 2015

5. Section 37 Contributions: Podium Parking

Environmental constraints such as a high water table make it difficult and very costly to construct deep underground parking in some areas of the VMC. To overcome this challenge, some developments may choose to provide some parking spaces within above grade podiums. However the increase in building height to accommodate the podium may result in the requirement for Section 37 contributions given the height limits in the *VMC Secondary Plan*. To address this issue, it has been recommended that the following policies apply to all developments occurring within the VMC.

- Qualifying office buildings containing a minimum of two storeys of below-grade parking would be permitted to exclude up to two storeys of integrated above-grade parking, located within the podium of the building, from the calculation of the total height and density of a building. By doing so there would no longer be a requirement for Section 37 contributions for two storeys of additional building height.

- However Section 37 contributions might still be required in other instances if the height exceeds two additional storeys and underground parking is not provided.

The City is currently reviewing these policy options, which once finalized will be implemented through the regulatory planning process or an Ontario Municipal Board order. This incentive will not form part of the CIP By-law.

E. PROGRAM QUALIFICATIONS

It is proposed that for developments to qualify for financial incentives they must meet conditions and qualifications stipulated in the CIP by-law. These qualifications will include the requirement that:

- Development be located within the defined Community Improvement Project Areas;

- Development must be an office use in accordance with Zoning By-law 1-88.

- The office component of any development must be 10,000 square metres (107,639 square feet) or larger;

- Office development can be in multiple buildings to reach the 10,000 square metre (107,639 square feet) requirement, but must be part of the same site plan and/or building permit;

- For the mixed-use CIL of parkland incentive, the residential and office components must be part of the same site plan to qualify;

- Development for which a building permit was issued on or after January 1, 2014 and which meet all other qualifications is eligible for the program (incentives will be applied retroactively); and

- Development must be classified as Office by MPAC for assessment purposes in order to qualify for the TIEG grant. TIEG grants only apply to the office portion of a mixed-use building, space in other tax classes located in the same development as the office use occupies, such as retail, residential or parking areas, are not eligible for TIEG financing.

- To qualify, developments must apply during the term of the By-law and be within the 139,355 square metre (1.5 million square feet) cap, whichever occurs first.

The above program qualifications are intended to be preliminary and is detailed in the formal CIP By-law. The provisions in the By-law address the particulars including triggers, obligations, and other criteria.

IV OTHER INCENTIVES EVALUATED

A number of other incentives were examined in the course of developing the proposed CIP framework. Through discussions with City staff and the consultants, it was concluded that these other potential incentives are not essential to achieve the desired level of development. However, in the future the City could supplement the proposed program with these incentives should the CIP goals and objectives not come to fruition.

Aside from potential incentives that the City could provide, the Province and York Region were consulted to determine whether and/or to what extent they would also be prepared to provide incentives to office development covered by the City's proposed CIP.

A. COMPARISON OF MUNICIPAL CIP PRACTICES

A review of other municipal CIP practices was undertaken as part of the review of financial incentives. Appendix E provides an overview of eligible uses, criteria, incentives, sunset provisions, and result/monitoring findings where available. The findings from this survey of CIP practices concluded:

- Most CIP's provide grants in the form of TIEG's or DC reductions.
- The ability to provide grants is often limited and dependent on available reserves. Programs are often assessed on an annual basis.
- The life of a CIP by-law is typically 5 – 10 years but may be extended or dissolved at the discretion of council.
- The City of Toronto has the most similar program providing DC exemptions (City-wide) and TIEGs for office uses on subway corridors. Toronto's TIEG provides larger grants in terms of percentages but Toronto's office tax rate is also higher.
- The City of Mississauga and the Town of Richmond Hill are currently in the process of completing CIP studies which also focus on office development.

B. FINANCIAL TOOLS

1. Other Section 37 Initiatives

During industry stakeholder consultation, it was suggested that office development be treated as a Section 37 benefit. In particular, it was argued that office buildings which require incentives to facilitate development should be exempt from Section 37 requirements. However, through further review and discussions with City staff it was noted that:

- The current CIP framework provides a range of incentives that will facilitate office development within the VMC; and
- The need for Section 37 contributions will be considered through the Secondary Plan and Site Plan Agreement processes.

2. Brownfield Incentives

Incentives to assist with the remediation and redevelopment of brownfield sites were another incentive that was considered. Prior to the commencement of the current CIP Study, the City completed a *Brownfield Incentive Program Feasibility Study* which assessed the need for brownfield incentives in the City through a CIP framework. The study found that:

- The City of Vaughan's industrial market was strong and consisted of a relatively modern building stock;
- Brownfield incentives are necessary when planning incentives are not sufficient to encourage redevelopment;
- Vaughan's location continues to be attractive to medium and small scale industrial users[7].

Given the finding of the report, and following discussions with City staff, it was concluded that at present no financial incentives should be provided to assist with the redevelopment of brownfield sites within the CIP Project Areas. In the future, consideration could be given to brownfield incentives for specific areas where

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[7] *Committee of the Whole (2006). Commissioner of Planning. Brownfield Incentive Program Feasibility Study. February 14.*

redevelopment cannot be achieved through planning incentives, private sector investment, or where the desired level of redevelopment is not occurring.

3. Early Lease Termination

Currently, a number of successful retail developments exist within the CIP Project Areas. During consultations with development industry stakeholders, it was suggested that in order to encourage the development of large-sized office space on existing retail sites, consideration could be given to providing incentives to offset the cost of terminating leases for existing commercial development. City staff, in review with its consultants, identified a number of concerns with providing this type of incentive.

- The objective of the CIP is to encourage office development on vacant sites, not on sites which currently contain successful commercial developments; and

- Providing lease termination funding for commercial development would reduce the funding for other proposed incentives.

4. Other Potential Incentives

A number of other incentive tools have been identified and could be considered for inclusion in the program. These tools include, but are not limited to:

a. Expedited Planning and Building Approval Process

- The prioritization of planning applications and buildings permits could be used to encourage office development. For example, the City of Toronto's "Gold Star" program is used to encourage non-residential development to support job growth and retention. Applications that qualify for the program are assigned an Economic Development Officer who assists with expediting the planning and building permitting process. Applications are reviewed individually. Typically the program does not permit any residential development.

- A similar process could be implemented and also used as a marketing tool for office development applications within the CIP Project Areas. Such a program could be managed by the City's Economic Development Department and would facilitate a shorter, more transparent process. Particularly in the context of the VMC, where various agencies are involved (including the TTC, Region of York, Viva, TRCA, MTO etc.), it might be difficult to expedite applications particularly given that different levels of government would be involved. Agreements would therefore need to be made with these agencies before the implementation of a program to ensure its success.

b. Alternative Tax Ratio

- The City could seek the establishment of an “optional office” tax class for which a preferential and specific property tax rate could be set. However implementing such an approach would be very difficult since it is the Region of York that sets Tax Policy which establishes the tax ratios and optional tax classes for the Region as a whole and could not target a particular CIP Project Area.

5. Parking Policies

Parking policies and incentives can be used to encourage office development particularly where parking standards pose a challenge for development in downtown areas. Given the site constraints and unique building environment of the VMC, a number of parking policies may be used to mitigate these issues. It is anticipated that Council may consider amending the City’s parking policies through the ongoing planning processes. Such amendments would not form part of the CIP by-law.

a. Establishment of a Parking Authority

- The establishment of a parking authority to develop and manage parking facilities might also be considered. If municipal parking facilities were to be provided in the VMC, it would reduce the necessity for a developer to provide parking. The establishment of a parking authority would also allow the City to debt finance parking structures and repay the debt with operating surpluses.[8] In 2013, the City considered implementing a cash-in-lieu of parking by-law, which would enable the City to collect funds to pay for parking facilities that would reduce the need for private spaces. This approach could be used in conjunction with the creation of parking authority to provide parking within the CIP Project Areas.

- The development of a parking authority would also need to be financial sustainable and would require that enough funds be generated to pay for the initial round of capital and sustain the system over the long term. Parking

[8] *Altus Group Economic Consulting (2013). [Presentation] Vaughan Metropolitan Centre Office Incentives Study.*

authorities in other jurisdictions, such as the City of Calgary, have been successful in providing parking for office development. However, these developments require cash-in-lieu contributions, creating additional fees for building owners and/or developers.

b. Parking Standards

- Starting in 2007, the IBI Group undertook a City-wide Parking Standards Review to update the City's parking requirements. After extensive consultation, a draft report titled Review of Parking Standards Contained within the City of Vaughan's Comprehensive Zoning By-law was made available in 2010 recommending reduced parking standards in areas such as the VMC. City Staff considered the proposed reduced standards when assessing development applications. However, Council may formally update its parking standards as it relates to the VMC at a later date.

- During stakeholder consultation sessions, it was noted that tenant parking demands were driving the amount of parking spaces more so than the City's standards. It is recommended that the City review its parking standards following the completion of the Subway extension and the occupancy of the office buildings under construction. This way empirical evidence can be used to ensure the requirements are reasonable.

C. REGIONAL AND PROVINCIAL CONSIDERATIONS

The City and its consultants have requested further financial support from both the Region and Province relating to the implementation of the CIP framework.

1. Regional Participation

The Region, as permitted under its Official Plan and regulations, may implement a CIP to facilitate development. The City has formally requested that the Region of York consider the following CIP incentives as it relates to the CIP Project Areas.

- Tax Increment Equivalent Grants; and
- Development Charges Reduction.

Table 11 sets out the potential revenue that the Region would forgo were the requested incentives to be provided.

In April 2015, the Economic Strategy Branch at York Region tabled a report entitled *York Region Office Attraction Review* which signaled the intentions to embark on marketing and communications plans for attracting office development but not to provide financial incentives.

Table 11 Region of York Maximum Exposure Based on Proposed Incentives		
Financial Incentive	**Maximum Forgone Revenue**	**Comments**
DC Reduction	Min. $4,645,000	• Minimum based on the Region matching the City's quantum value deduction of $33.33/sq.m. • Current Regional rate of $214.95 sq.m. • Reduction of $33.33/sq.m. • Reduced DC rate of **$181.62**
	Max. $18,599,000	• Maximum forgone revenue based on a proportionate reduction to match what the City has proposed (62 per cent reduction from current rate • Current Regional rate of $214.95/sq.m. • Reduction of $133.46/sq.m. • Reduced DC rate **of $81.49**
TIEG's	$5,700,000	• Estimated lost revenue is based on the same assumptions used to calculate the City's grant contribution

Source: Hemson Consulting Ltd., 2015
Note: *Maximum forgone revenue is calculated based on the assumption of achieving 139,355 square metres(1.5 million square feet) of office space*

A copy of the memorandum requesting Regional participation is attached as Appendix D of the report.

2. Provincial Participation

The Province can provide grants and other financial incentives through CIP agreements under Section 30 of the *Planning Act.* It can also provide education tax grants under the provisions of the *Tax Financing Act*. However, education grants can only be provided if the Cabinet approves an enabling regulation.

To date, the Province has not provided any contributions to local or regional municipality incentives in support of a CIP. In light of this, Provincial participation is very uncertain and the City should not anticipate contributions to further support or expand the proposed CIP framework.

A memorandum requesting Provincial participation has been drafted and will be sent to the Ministry of Municipal Affairs and Housing through a Council resolution.

V STEPS TO CIP APPROVAL

Prior to the implementation of a CIP, a municipality must comply with the statutory approval process as required by the *Planning Act*. The following section describes the necessary steps to approval, including the statutory requirements fulfilled to date, as well as a review of the critical next steps and project milestones.

A. APPROVAL AUTHORITY

In accordance with subsection 28(5.1) of the *Planning Act*, the Ministry of Municipal Affairs and Housing is deemed the approval authority for the purposes of a CIP.

Subsection 28(5) states that:

> "Subsections 17 (15), (17), (19) to (19.3), (19.5) to (24), (25) to (30.1), (44) to (47) and (49) to (50.1) apply, with necessary modifications, in respect of a community improvement plan and any amendments to it."

In that respect, subsection 17(15)(a) prescribes:

> "the appropriate approval authority is consulted on the preparation of the plan and given an opportunity to review all supporting information and material and any other prescribed information and material, even if the plan is exempt from approval" s.17(15)(a)

In accordance with the amendments to the *Planning Act*, which came into force in January 2007, the Minister no longer formally approves CIPs but must be consulted. There is no statutory requirement for an upper-tier municipality to review a proposed CIP. However, if an upper-tier municipality provides grants or loans to lower-tier municipalities to carry out a CIP or implements its own CIP it must do so in accordance with the regulations.

B. COMPLETED MEETINGS

As part of the CIP consultation process, a number of meetings were held with both the City staff and development industry stakeholders to help inform the CIP framework as identified in the aforementioned sections of the report.

In accordance with Section 28 of the *Planning Act*, the designation of the CIP Project Area by by-law and the approval of the CIP Study and CIP by-law will occur concurrently.

The following table provides an overview of the meetings held to date.

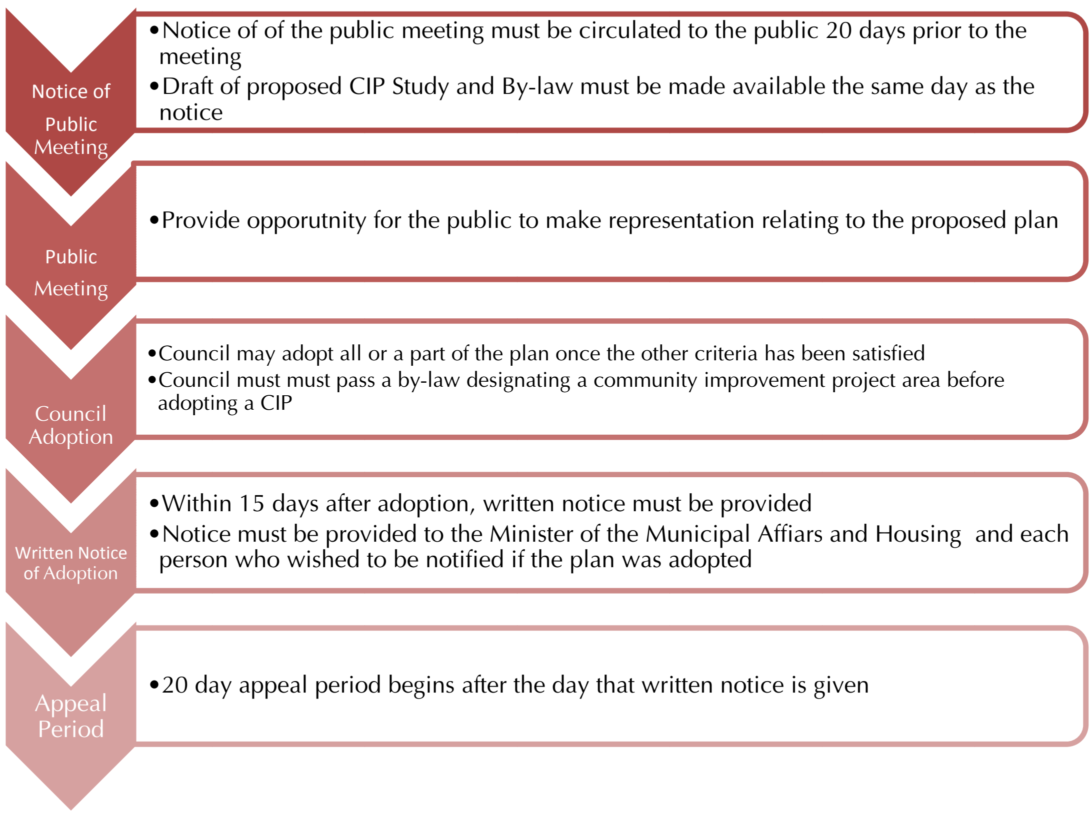
Table 12
Completed Council and Stakeholder Meetings

Date	Meeting
May 2014	Council approved undertaking of CIP Study
March 2015	CIP Framework presented to VMC Stakeholder Working Group
June 2015	CIP Framework presented to VMC Subcommittee of Council
July 2015	Individual stakeholder consultation sessions
July 2015	Draft CIP Program presented to VMC Stakeholder Working Group

Source: Hemson Consulting Ltd., 2015

C. STATUTORY APPROVAL PROCESS

The schematic provided below illustrates the statutory requirements of the CIP approval process once the final CIP Study and By-law(s) has been drafted in accordance with Section 28 of the *Planning Act.*



D. NEXT STEPS

The subsequent steps of the CIP Study process will include the following milestones and project deliverables:

- Distribute CIP Report and Draft By-law to stakeholders;
- Hold public meeting: October 7, 2015;
- Committee of Whole consideration and passage of by-law designating the CIP; Project Areas and by-law defining policies: November 3, 2015; and
- Council ratification: November 17, 2015.

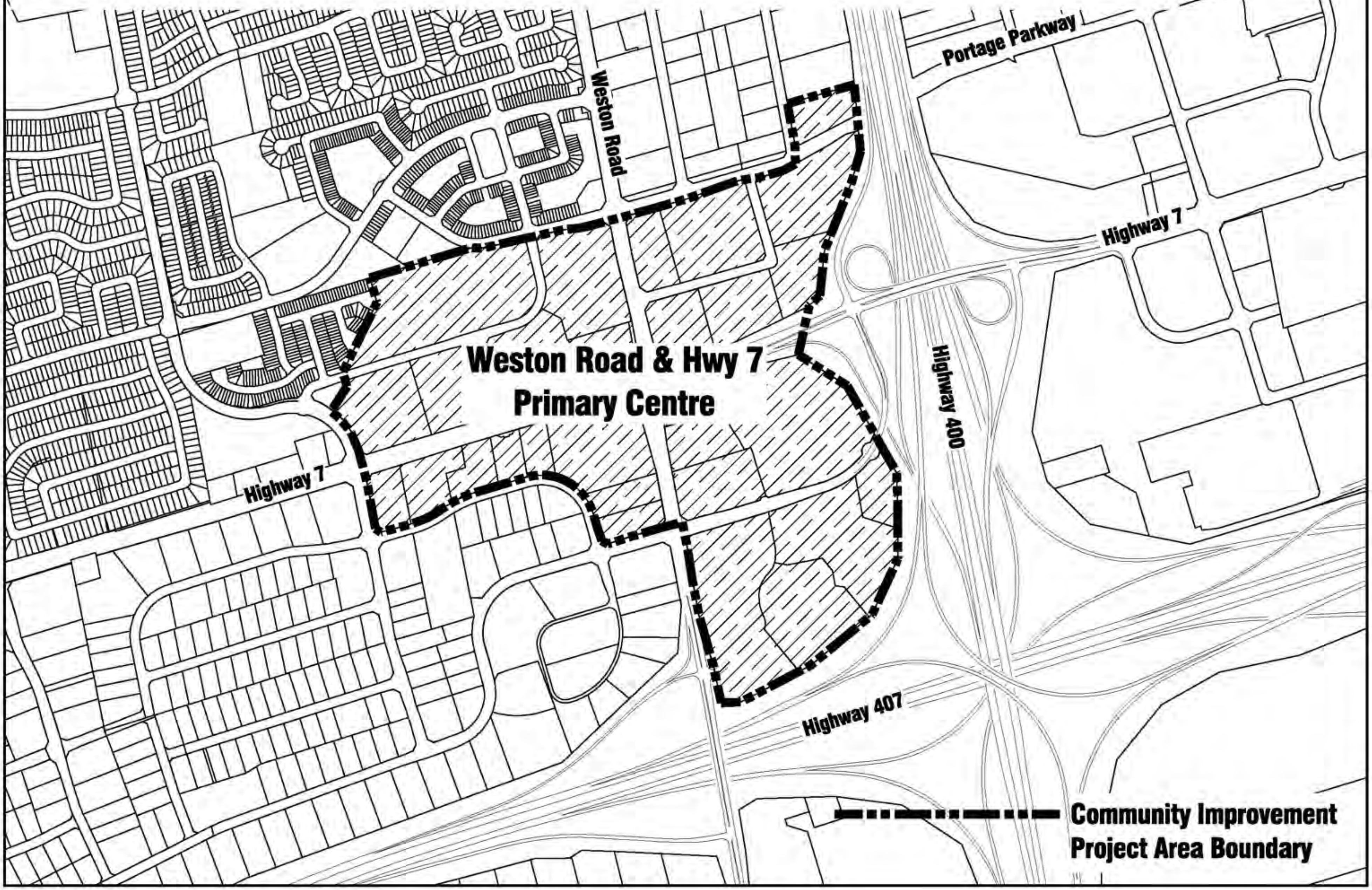
The milestones will be completed in accordance with the statutory approval process and the identified dates indicated in the aforementioned sections.

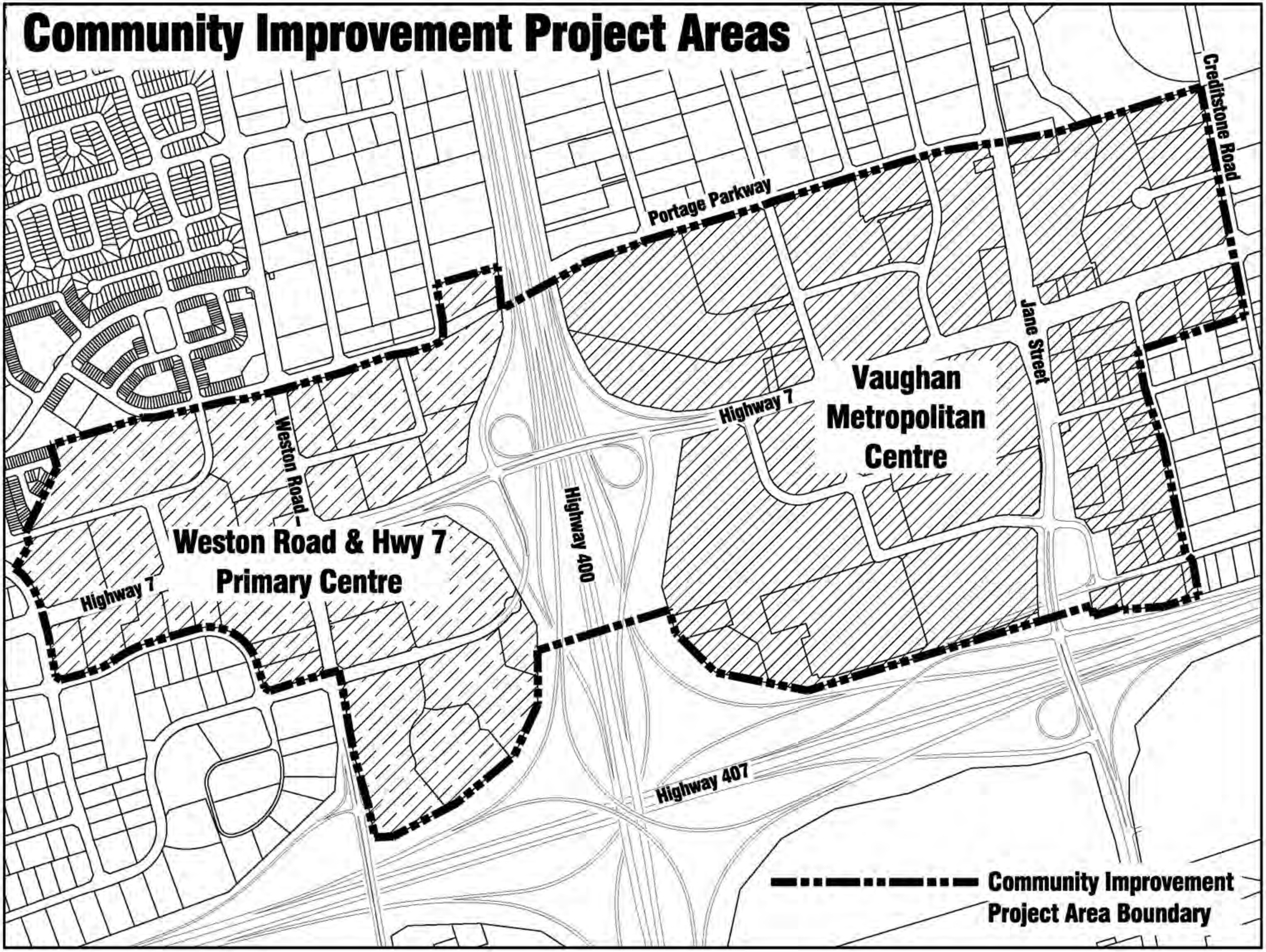
APPENDIX A

KEY MAPS

Schedule A - Vaughan Metropolitan Centre Community Improvement Project Area

Schedule B - Weston Road and Highway 7 Community Improvement Project Area




Community Improvement Project Areas
Portage Parkway
Credistone Road
Jane Street
Vaughan
Metropolitan
Centre
Highway 7
Weston Road
Highway 400
Weston Road & Hwy 7
Primary Centre
Highway 7
Highway 407
Community Improvement
Project Area Boundary

APPENDIX B
SUPPORTING TIEG TABLE

Table B.1

TIEG Estimated Grant Amount, Net and Total Taxes

Year	1	2	3	4	5	6	7	8	9	10	10-Year
Grant Amount to Developer (%)	70.0%	63.0%	56.0%	49.0%	42.0%	35.0%	28.0%	21.0%	14.0%	7.0%	38.5%
Net Taxes to City (%)	30.0%	37.0%	44.0%	51.0%	58.0%	65.0%	72.0%	79.0%	86.0%	93.0%	61.5%
Grant Amount to Developer ($)	**$605,707**	**$545,136**	**$484,565**	**$423,995**	**$363,424**	**$302,853**	**$242,283**	**$181,712**	**$121,141**	**$60,571**	**$3,331,388**
Net Taxes to City ($)	$259,589	$320,159	$380,730	$441,301	$501,871	$562,442	$623,013	$683,583	$744,154	$804,725	$5,321,567
Taxes Before Grant ($)	**$865,295**	**$865,295**	**$865,295**	**$865,295**	**$865,295**	**$865,295**	**$865,295**	**$865,295**	**$865,295**	**$865,295**	**$8,652,955**

Source: Hemson Consulting Ltd.

Assumptions:
City Tax Rate @ 0.27%
Total Office Development = 1,500,000 square feet
Estimated value of new assessment $319,500,000

APPENDIX C
DRAFT CIP BY-LAW

THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER XXX-2015

A by-law to designate two areas covered by the Official Plan for the City of Vaughan as the "Vaughan Metropolitan Centre" and "Weston Road and Highway 7" Community Improvement Project Areas.

WHEREAS pursuant to Section 28 of the *Planning Act*, City Council may designate whole or any part of an area covered by an official plan as a community improvement project area;

AND WHEREAS on May 27, 2014 Council adopted the recommendations from the Priorities and Key Incentives Committee Staff Report entitled *"Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development"* that directed a Community Improvement Plan be prepared for the Vaughan Metropolitan Centre and intensification corridors to promote major office development;

AND WHEREAS the Terms of Reference for the Community Improvement Plan Study was expanded to encompass all intensification areas within the City where office development is permitted;

AND WHEREAS on October XX, 2015 the Committee of the Whole recommended the designation of the Vaughan Metropolitan Centre and the Weston Road and Highway 7 areas to be designated as Community Improvement Project Areas;

AND WHEREAS on October XX, 2015 Council approved the "*Community Improvement Plan for Office Uses in Two Community Improvement Project Areas*";

WHEREAS before a by-law adopting a Community Improvement Plan can be adopted the Community Improvement Project Area(s) must be designated, appropriate programs and financial tools must be identified and a public meeting to consider the proposed Community Improvement Plan must be held;

THEREFORE the Council of the City of Vaughan hereby enacts as follows:

1. The following land areas, as illustrated in Schedule A and Schedule B to the by-law, are designated as the community improvement plan areas;
   Schedule A: Vaughan Metropolitan Centre
   Schedule B: Weston Road and Highway 7

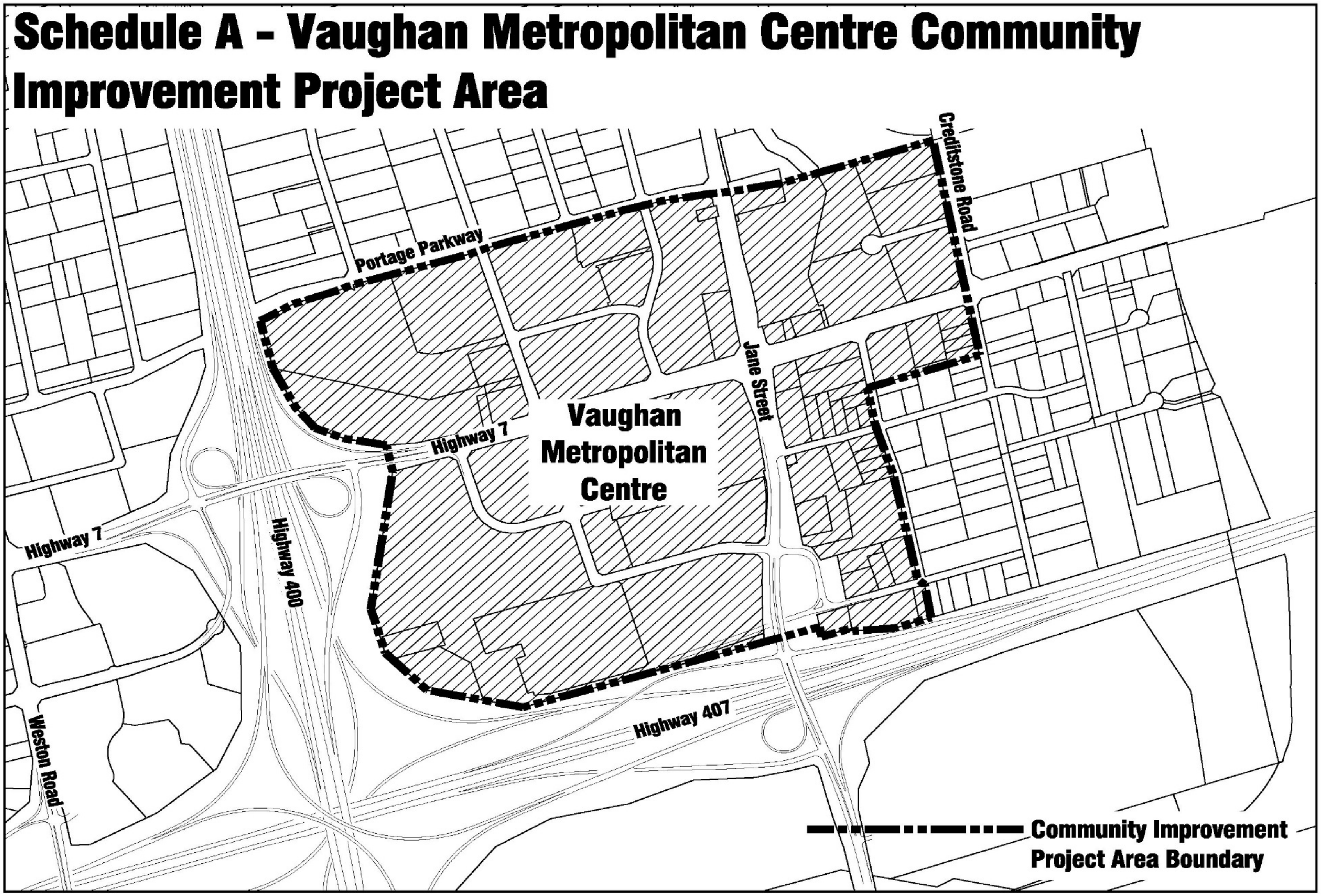
2. This By-law shall come into force and take effect on the day of the final passing thereof.

Enacted by the City of Vaughan Council this XX day of October, 2015.

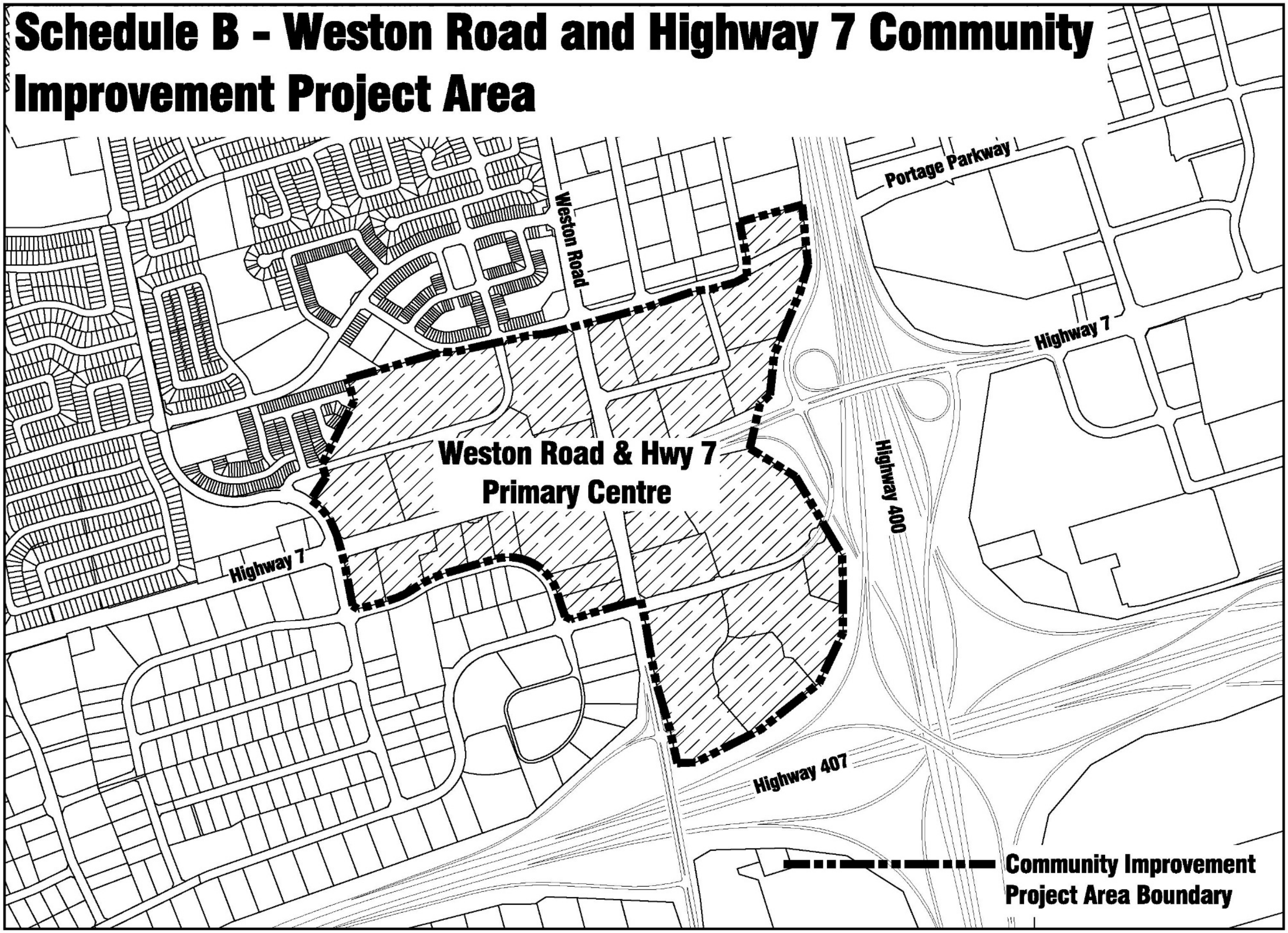
____
Hon. Maurizo Bevilacqua, Mayor

____
Jeffery A. Abrams, City Clerk

Schedule "A"
Vaughan Metropolitan Centre



Schedule "B"
Weston Road and Highway 7



THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER XXX-2015

WHEREAS pursuant to Section 28 of the *Planning Act*, City Council may, where it has passed a by-law designating the whole or any part of an area covered by an Official Plan as a Community Improvement Plan Project Area, adopt a Community Improvement Plan for the Community Improvement Project Area;

AND WHEREAS Council has received the report entitled the *Community Improvement Plan for Office Uses in Two Community Improvement Project Areas* dated September 9, 2015;

AND WHEREAS By-law XXXX-2015 was passed by the Council of the City of Vaughan designating the "Vaughan Metropolitan Centre" and "Weston Road and Highway 7" areas as a Community Improvement Project Areas;

AND WHEREAS at least one public meeting has been held in accordance with Section 28 of the *Planning Act*;

THEREFORE the Council of the City of Vaughan hereby enacts as follows:

1. That the criteria for the financial programs proposed in the Community Improvement Plan for Office Uses in Select Intensification Areas, as attached to this by-law, is hereby adopted for the "Vaughan Metropolitan Centre" and "Weston Road and Highway 7" areas as described in By-law XXXX-2015.

2. This By-law shall come into force and take effect on the day of the final passing thereof.

Enacted by the City of Vaughan Council this XX day of October, 2015.

____
Hon. Maurizio Bevilacqua, Mayor

____
Jeffery A. Abrams, City Clerk

CIP BY-LAW TABLE OF CONTENTS

1. QUALIFYING OFFICE DEVELOPMENT FINANCIAL PROGRAMS

The financial programs, as outlined in this By-law, are subject to the following general definitions and conditions as well as specific requirements as prescribed by each financial program. The City reserves the right to amend, alter or include other requirements for each application that is submitted.

1.1. DEFINITIONS

"Applicant" means the registered owner of buildings or land located within the designated community improvement project areas or the owner's agent whom has the appropriate authority to apply for and receive grants on behalf of the owner.

"Approval Letter" means confirmation by letter, or another form of communication by the City, that details the approved amount as well as general terms and conditions of the qualifying financial programs.

"City" means the City of Vaughan.

"Community Improvement Plan (CIP)" refers to the Council approved *"Community Improvement Plan for Office Uses in Two Community Improvement Project Areas"* for the purposes of using financial incentives to encourage the development of qualifying office uses in defined community improvement plan areas, as permitted under Section 28 of the *Planning Act*.

"Community Improvement Project Area (CIPA)" as defined under Section 28 of the *Planning Act*, relates to the areas within a municipality designated for community improvement which, in the opinion of Council, is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason, and for the purposes of this By-law shall include:

A. The Vaughan Metropolitan Centre Community Improvement Project Area.
B. The Weston Road and Highway 7 Community Improvement Project Area; and

"Council" is the Council of the Corporation of the City of Vaughan.

"Development" means the construction of a building or structure.

"Final CIP Agreement" means the final agreement between the Applicant and the City outlining all terms and conditions of financial program approvals, as applicable. The Final CIP Agreement will be registered on title to the property to which the financial programs relates. The Final CIP Agreement will compliment and may expand upon, but in no way detract from the conditions set out herein. Prior to the implementation of a Final CIP Agreement, the Applicant shall submit a written Pre-CIP Application, which must be approved by the City.

"Gross Floor Area (GFA)" means, in the case of a non-residential building or structure or the non-residential portion of a mixed-use building or structure, the aggregate of the areas of each floor, whether above or below grade, measured between the exterior faces of the exterior walls of the building or structure or from the centre line of a common wall separating a non-residential and a residential use, and:

i. Includes the floor area of a mezzanine and the space occupied by interior walls and partitions;
ii. Excludes in the case of a building or structure containing an atrium, the sum of the areas of the atrium at the level of each floor surrounding the atrium above the floor level of the atrium;
iii. Excludes the area of any self-contained structural shelf and rack storage facility approved by the Building Materials Evaluation Commission;
iv. Excludes, in the case of a building containing parking garage spaces, the sum of the areas of designed or intended for use for the parking of motor vehicles; and
v. For the purposes of this definition, the nonresidential portion of a mixed-use building is deemed to include one-half of any area common to the residential and non-residential portions of such mixed-use building or structure.

"MPAC" means Municipal Property Assessment Corporation.

"Office, Business or Professional" means the use of a building or structure or part of a building or structure in which one or more persons are employed in the administration, direction or management of a business, agency, brokerage or organization, or by professionally qualified persons and their support staff, and shall include but not be limited to an office of a regulated health professional, lawyer, dentist, architect, engineer, stock broker, accountant, real estate or insurance agency, veterinarian or a similar professional person's office but shall not include a veterinary clinic.

"Parking garage" means a structure used for the parking of motor vehicles, including pedestrian aisles, lanes for the movement of vehicles and a way of access to and from a public highway.

"Parking lot or parking area" means an area of land comprised of parking spaces and related aisles, maneuvering areas and entrances and exits.

"Property Tax Increment" means the municipal Property Tax Increase as a result of developing or redeveloping a property.

"Pre-CIP Application" means the written expression by an Applicant of the intent to apply for one or more financial incentives described in this By-law. The Pre-CIP Application may be submitted to the City prior to beginning the site plan approval process but must be submitted at least 60 days prior to the first building permit submission. Preliminary consultation with City staff may occur prior to an application.

"Use, Office" means the GFA associated with Office, Business or Professional uses.

"Use, Residential" means the use of land, buildings or structures for human habitation.

"Use, Non-Residential" means the use of any land, building or structure or part thereof for use other than a residential use.

"Use, Mixed" means for the purposes of this By-law, mixed-use office buildings with residential and/or non-residential components besides offices.

"Weston Road and Highway 7 Community Improvement Project Area" means the area as illustrated in Schedule "B" of By-law XXX-2015.

"Vaughan Metropolitan Centre (VMC) Community Improvement Project Area" means the area as illustrated in Schedule "A" of By-law XXX-2015.

1.2. GENERAL PROGRAM REQUIREMENTS

In order for an office development to be eligible to qualify for any financial program as provided under this By-law, it must meet the following requirements:

1.2.1. Be located within the designated community improvement project areas.

1.2.2. All proposed works approved under the financial programs and associated improvements to buildings and/or land shall conform to all relevant codes, policies, procedures, design and engineering standards and guidelines, including applicable municipal by-laws, Official Plan and Secondary Plan policies, and zoning requirements and approvals.

1.2.3. It must include:

i. A minimum of 10,000 square metres (107,639 square feet) of new office space as measured at the time of site plan and/or first building permit issuance;

ii. The qualifying space may be in multiple buildings as long as it is part of the same site plan and/or building permit; and

iii. The first building permit must be issued on or after January 1, 2014.

1.3. CIP EXPIRY

1.3.1. This By-law shall expire once 139,355 square metres (1.5 million square feet) of office space has qualified under this By-law or five years from its date of enactment, whichever occurs first.

1.3.2. The City reserves the right to amend, cancel or alter the financial program described in this By-law at any time.

1.4. LIMITATIONS

Notwithstanding the general program requirements, the City shall not be responsible for:

1.4.1. Any costs incurred by an Applicant in relation to the eligible financial programs;

1.4.2. The delay or cancellation of financial grants caused by Applicants who fail to adhere to any general or specific financial program requirements.

1.5. ADMINISTRATION

1.5.1. Pre-CIP Application

i. Applicants must notify the City of the intent to apply for the program through the preparation of a Pre-CIP Application.

ii. Pre-CIP Application must be made during the planning approval process and at least 60 days prior to the issuance of the first building permit (at, above or below grade).

iii. A meeting may be held with the Applicant to discuss eligibility requirements, supporting planning approvals, preliminary development concepts (if available) including the proposed office and non-office components of the development.

1.5.2. Application Review and Evaluation

i. Pre-CIP Application will be reviewed by City staff to ensure that the proposed development meets all eligibility criteria.

ii. The qualification decision made jointly by the Commissioner of Planning, Executive Director City Manager's Office and City Treasurer or their designate, is final and cannot be appealed.

iii. Estimated incentive amounts and preliminary terms and conditions will be provided to the

Applicant.

iv. A Pre-CIP Application may be amended or withdrawn but the document must be approved prior to the issuance of the first building permit.

1.5.3. Approval Letter

i. At the time of the issuance of the first building permit, if approved, the Applicant will be provided with an approval letter detailing the amount of development charges and cash-in-lieu of parkland reductions, if applicable.

ii. The approval letter will also outline the general terms of the Tax Increment Equivalent Grant (TIEG) program.

iii. The approval letter may be adjusted to account for any amendments to building permits.

1.5.4. Final CIP Agreement

i. The Final CIP Agreement inclusive of all terms and conditions will be produced in a form satisfactory to the City Solicitor by Economic Development, Planning and Finance staff and registered on title once the Municipal Property Assessment Corporation (MPAC) has completed the reassessment of the property.

2. THE FINANCIAL PROGRAM THAT APPLIES TO THE COMMUNITY IMPROVEMENT PROJECT AREAS

The financial program described in this section applies to both Schedule "A" and Schedule "B" of By-law XXX-2015.

2.1. DEVELOPMENT CHARGE (DC) REDUCTION

The purpose of the DC reduction is to encourage the development of office uses by reducing the total applicable City-wide DCs as referenced in By-law 045-2013. Should By-law 045-2013 be amended, repealed or replaced, the reduced DC rate, as identified in this By-law, shall be applied to any eligible developments that meet the general and program specific eligibility requirements.

2.1.1. Description

The reduced rate is the applicable to the indexed DC as of August 1, 2013 of ($20.35 per square metre of GFA as defined in By-law 230-2008) relating to office uses.

2.1.2. Limitations

The reduction is in respect of the City-wide portion of the eligible DCs and shall not apply to any other DCs applicable to:

i. City of Vaughan Area-specific DCs;

ii. York Region;

iii. GO Transit; or

iv. Boards of education.

2.1.3. Eligibility Requirements

i. The reduced DC rate is only applicable to the total GFA of a building for office uses. Other GFA for uses such as residential, retail, commercial, or institutional uses are not eligible;

ii. The program applies to all office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule "A" of By-law XXX-2015) and the Weston Road and Highway 7 Community Improvement Project Area (Schedule "B" of By-law XXX-2015);

iii. The program applies to any development that would be subject to DCs in accordance with the Development Charges Act, 1997 or any successor thereof.

2.1.4. Reduction of Applicable DCs

i. At the time of issuance of the first building permit, the calculated DC reduction shall be deducted from the City-wide DC obligation for the application.

ii. The calculated DCs, net of reduction, shall be paid at time of building permit issuance except where an Applicant has entered into a pre-payment or deferral agreement with the City.

iii. The DC reduction amount may be adjusted to account for any amendments to building permits.

2.2. CASH-IN-LIEU (CIL) OF PARKLAND DISCOUNT

The CIL of parkland discount will be provided for qualifying developments as follows: (i) qualifying developments will be fully exempt from CIL contributions and; (ii) mixed-use developments that provide qualifying office space will receive a discounted CIL requirement for their residential component.

In accordance with section 42 of the *Planning Act,* CIL of parkland for commercial and industrial development, inclusive of office development, is calculated at a rate of 2 per cent of the total land value. The current in force CIL of parkland rate for high-density residential units is $8,500 per as described in By-law 205-2012. Should By-law 205-2012 be updated, amended or appealed, the new CIL of Parkland rates shall apply to the CIL of Parkland Discount financial program as described in this By-law.

2.2.1. Description

CIL of parkland rate for eligible developments shall be calculated as follows:

i. 100 per cent exemption for office uses; and

ii. A discount for high-density residential dwelling units of $4,400 per unit for every 70 square metres (750 square feet) of office space developed will be applied to the current CIL of Parkland rate in force at the time the CIL requirement is calculated for a qualifying development

2.2.2. Eligibility Requirements

i. The program applies to all office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule “A” of By-law XXX-2015) and the Weston Road and Highway 7 Community Improvement Project Area (Schedule “B” of By-law XXX-2015);

ii. Developments that include high-density residential dwelling units must be part of the same Site Plan Agreement as the qualifying office development in order to receive the reduced CIL of parkland rate.

iii. The program applies to any development for which an application requires the payment of CIL of parkland including:

- Minor variance under section 45 of the *Planning Act*;
- Conveyance of land to which a by-law passed under subsection 50 (7) of the *Planning Act* applies;
- Plan of subdivision under section 51 of the *Planning Act;*
- Consent under section 53 of the *Planning Act*; and
- Site plan control agreement under section 41 of the *Planning Act.*

2.2.3. Discount of Applicable CIL of Parkland Requirement

i. Prior to the issuance of the first building permit, the calculated CIL discount shall be reduced from the overall CIL of parkland amount calculated for the application.

ii. The total calculated CIL of parkland amount shall be paid prior to building permit issuance except where an Applicant has entered into a pre-payment or deferral agreement with the City, in which case, payment shall be made in accordance with the terms and provisions of such agreement.

iii. The qualification amount and thereby the approval letter may be adjusted to account for any amendments to building permits.

2.3. TAX INCREMENT EQUIVALENT GRANT (TIEG)

The Tax Increment Equivalent Grant (TIEG) is intended to provide financial assistance to eligible owners who undertake qualifying office developments in the Weston Road and Highway 7 Community Improvement Project Area and the Vaughan Metropolitan Centre Community Improvement Project Area.

The TIEG is an annual grant used to offset a portion of the property tax increase (herein referred to as the Property Tax Increment) resulting from the development or the redevelopment of the qualifying property.

2.3.1. Description

The grant is annual and phased over a ten year period. The maximum amount of the grant is at 70% of the Property Tax Increment for qualifying office uses and declines over the ten year period. The table below shows the annual applicable percentage.

Year	Grant % [1]	Nat Taxes Payable %
1	70	30
2	63	37
3	56	44
4	49	51
5	42	58
6	35	65
7	28	72
8	21	79
9	14	86
10	7	93

[1] *Expressed as a percentage of the calculated Property Tax Increment*

2.3.2. Eligibility Requirements

i. The program applies to office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule "A" of By-law XXX-2015) and the Weston Road and Highway 7 Community Improvement Project Area (Schedule "B" of By-law XXX-2015);

ii. Grants shall be calculated based on the office GFA (as provided by MPAC) of a building and shall not apply to other uses located in the same building that the office use occupies, such as other non-residential uses (including parking garages, parking lots or parking areas) or residential uses.

2.3.3. Limitations

i. The program applies to the City of Vaughan portion of property taxes and does not affect the Region of York property taxes or the Provincial education taxes.

ii. The proportion of the Property Tax Increment upon which the annual TIEG will be based will be the lesser of:
   - The proportion of GFA occupied by office uses in the first year in which the TIEG is payable; and
   - The proportion occupied by office uses for the year in which the TIEG is provided.

2.3.4. Phased Development

For developments that are constructed in phases, and where one phase is constructed in advance of any other phase of the development(s), each phase shall be treated as a separate property for the purposes of calculating the Property Tax Increment and the applicable TIEG.

The applicable TIEG for phased development will be calculated as follows:

i. The grant for the first phase of the development will be calculated based on the Property Tax Increment arising from the increased assessment value of the first phase.

ii. As each additional phase of the development is constructed and results in an increase in assessment, the Applicant must apply for an additional TIEG based on the new Property Tax Increment related to the new phase and must submit a separate Pre-CIP Application and, if approved, enter into a separate Final CIP Agreement with the City.

iii. Subsequent phases will be subject to the same terms and conditions as the initial development unless otherwise specified in a Final CIP Agreement.

2.3.5. Appeals and Rebates

The annual TIEG amount shall be adjusted in accordance with the following provisions:

i. Should the Applicant of a property subject to an approved TIEG financial program file a Request for Reconsideration or an assessment appeal in relation to a Property Assessment Notice from MPAC, and if the assessment as a result of the appeal is reduced, the City will recalculate the applicable municipal Property Tax Increment and any overpayment shall be repaid to the City by the Applicant;

   Any rebate of municipal taxes paid to the property owner, including rebates related to Vacancy or Tax Appeals, will be deducted on a proportional basis from the TIEG amount.

2.3.6. Grant Payment

i. Grants will be provided starting in the first year for which MPAC has fully assessed the qualifying office use.

ii. The City will calculate the grant amount based on the office component of the Property Tax Increment and will issue an annual grant through a cheque or account credit, provided that:
   - There are no outstanding taxes or other fees owed to the City with respect to the property; and
   - There are no other outstanding terms or conditions or any violations of the executed Final CIP Agreement.

iii. A Final CIP Agreement may be adjusted at the discretion of the City based on changes in use, assessment appeals or other matters.

3. ELEMENTS OF THE FINANCIAL PROGRAM THAT APPLY TO THE VAUGHAN METROPOLITAN CENTRE COMMUNITY IMPROVEMENT PROJECT AREA ONLY

The financial program described in this section applies to the Vaughan Metropolitan Centre Community Improvement Project Area only.

3.1. DEVELOPMENT CHARGE (DC) DEFERRAL

The DC Deferral is intended to match the Region of York's current DC deferral policy for high-rise office development. The DC Deferral will be used in conjunction with the DC Reduction incentive to further encourage office development.

3.1.1. Description

Payments of City-wide DCs relating to qualifying office uses may be deferred for up to a maximum of eighteen (18) months.

3.1.2. Limitations

The deferral applies only to the City-wide portion of the eligible DCs and shall not apply to any other DCs relating to:

i. City of Vaughan Area-specific DCs;
ii. York Region;
iii. GO Transit; or
iv. Boards of education.

3.1.3. Eligibility Requirements

i. The program applies to all office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule "A" of By-law XXX-2015) only.
ii. The DC deferral is only applicable to the GFA of the building that relates to office uses. Other uses such as residential, retail, commercial, or institutional uses are not eligible.
iii. The DC payment deferral period shall apply to developments that meet all other general and specific eligibility criteria and conditions beginning the day after this By-law comes into force, and shall not be apply retroactively to any DCs paid prior to the enactment of this By-law.

3.1.4. Deferral of Applicable Development Charges

i. The decision to provide a DC payment deferral will be made at the sole and unfettered discretion of the City Treasurer or his/her designate in consultation with the City Solicitor, Commissioner of Planning and Executive Director City Manager's Office;
ii. At the time of issuance of the first building permit, the calculated DC deferral amount will be identified and a Letter of Credit for the entire deferral amount will be required prior to first building permit issuance.
iii. Payment will be deducted from the Letter of Credit in full eighteen (18) months after the first building permit is issued.

APPENDIX D
REGIONAL PARTICIPATION REPORT

York Region

Clause 5 in Report No. 7 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on April 23, 2015.

5
York Region Office Attraction Review

Committee of the Whole recommends:

1. Receipt of the presentation by Doug Lindeblom, Director, Economic Strategy & Tourism.

2. Receipt of the communication from Jennifer Ladouceur, Director of Economic Development, City of Vaughan, dated April 8, 2015.

3. Adoption of the following recommendations contained in the report dated March 26, 2015 from the Commissioner of Corporate Services and Chief Planner:

1. Recommendations

It is recommended that:

1. Council receive the York Region Office Space Financial/Market Analysis and Marketing Plan Study.

2. The proposed Work Plan for the development of an Office Attraction Marketing and Communications Plan be endorsed.

3. This report and the York Region Office Space Financial/Market Analysis and Marketing Plan Study be circulated by the Regional Clerk to the local municipalities in the Region.

2. Purpose

The purpose of this report is to provide an overview of the York Region Office Space Financial/Market Analysis and Marketing Plan Study and seek endorsement for a work plan to develop an Office Attraction Marketing and Communications Plan for Centres and Corridors in the Region.

3. Background

Strengthening the Regions’ economy depends upon the retention and attraction of knowledge-based businesses and jobs

Regional staff have developed three draft growth scenarios to accommodate the Amendment 2 Growth Plan population and employment forecasts to 2041 as part of the Regional Municipal Comprehensive Review (MCR) process. An accompanying staff report entitled “2041 York Region Population and Employment Draft Growth Scenarios and Land Budget” is being presented to Committee on the same April 9 2015 agenda.

The draft growth scenarios call for a significant increase in major office jobs in the Region – between 162,000 and 168,000 total jobs by 2041, more than double the 72,000 major office jobs in the Region in 2011. Attracting, retaining and growing jobs is key to strengthening the regional economy and creating live/work opportunities for York Region residents. Office jobs represent many key growth sectors like Information Communication Technologies (ICT), Financial Services, and functions such as headquarters and research that locate in office style facilities. These sectors and functions represent the high value, knowledge-based jobs the Region needs to flourish and remain competitive.

The Region’s Centres and Corridors are intended to become economic hubs with a high concentration of commercial office development

The York Region Official Plan 2010 identifies the Region’s Centres and Corridors as the areas to realize a significant share of growth in population and employment so that the Region can reach its intensification targets, support investments in transit, reduce congestion and create complete communities with live/work/play/shop opportunities for York Region residents. The goal is to transform Centres and Corridors into economic hubs, hosting the highest concentration of major office, mixed-use commercial and high-density residential uses. Office development represents a more intense, urban form of development that fits well within the Centres and Corridors. A large portion of new office jobs are planned to go in Centres and Corridors.

The Region’s Economic Development Action Plan highlights the importance of the Region’s Centres and Corridors to attract knowledge-based employment

Council approved the Economic Development Action Plan in December, 2012. As part of Goal 5 of the Region’s Economic Development Action Plan, the Region identifies the importance of Centres and Corridors and the ability to leverage the planned urban form, transit-orientation and live-work communities to attract a young, highly-skilled workforce. This is the type of workforce that will assist the Region in meeting its employment growth targets and help establish the Region’s Centres and Corridors as places for investment in urban format commercial office.

Stakeholders have identified challenges in realizing commercial office development in the Region’s Centres and Corridors

There have been a range of challenges highlighted by the development community regarding the feasibility of commercial office development generally and in the Region’s Centres and Corridors specifically. To realize the opportunities and understand issues around office supply and demand, and to better address potential challenges to attracting urban format commercial office investment, the Region undertook the York Region Office Space Financial/Market Analysis and Marketing Plan Study. The executive summary from the study is attached to this report (Attachment 1). The study in its entirety is available on the York.ca website.

The Region has undertaken several initiatives to better understand the office market

A consulting team headed by Watson and Associates Economists Ltd. and supported by Millier Dickinson Blais and DTZ were retained to complete this study. The work included:

- developing an understanding of the Region’s commercial office market,
- completing an analysis of the costs of developing an office project within York Region in comparison to a selection of locations across the GTA, and
- identifying potential policies and strategies for promoting commercial office development in the Region’s Centres and Corridors

The Region also joined the Strategic Regional Research Associates initiative in 2013 in partnership with the Canadian Urban Institute and others including the Cities of Toronto, Markham and Mississauga. The initiative is intended to provide insight on how to optimize the existing capacity of the office market by maximizing the public investment in rapid transit improvements in the GTA.

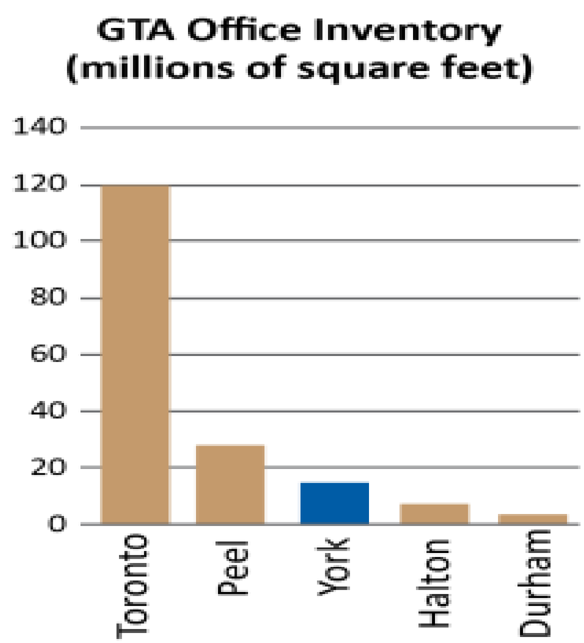
4. Analysis and Options

York Region is part of one of North America's largest office markets

York Region is part of the GTA commercial office market – which is one of the top five largest in North America with an existing built floor area of 16.9 million square metres (171 million square feet). At approximately 1.6 million square metres (17 million square feet), York Region is the third largest market within the GTA behind the City of Toronto and Peel Region (see Figure 1).

The City of Toronto has the vast majority of office space within the GTA, with a significant portion being located in downtown Toronto around the financial core.

Figure 1
GTA Office Inventory

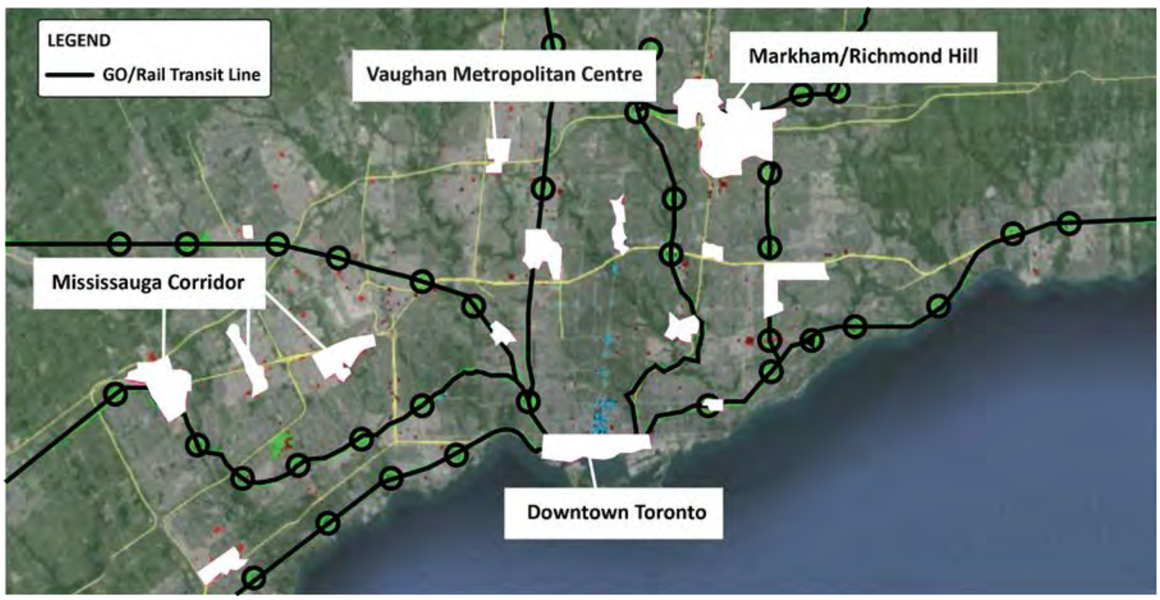


Source: Watson and Associates Economists Ltd.

Office development is focused in a number of key office nodes around the GTA

The GTA office market is made up of about 20 major office nodes (see Figure 2). The two most significant nodes in York Region are the Markham/Richmond Hill node centred around the Highway 7/Highway 404 interchange, and the Vaughan Metropolitan Centre at the Highway7/Highway 400 interchange. There are a number of municipalities with which York Region competes directly for office development. York Region's most immediate competition within the office market includes the North Yonge Corridor in Toronto, Mississauga, and Brampton.

Figure 2
Greater Toronto Area Major Office Nodes

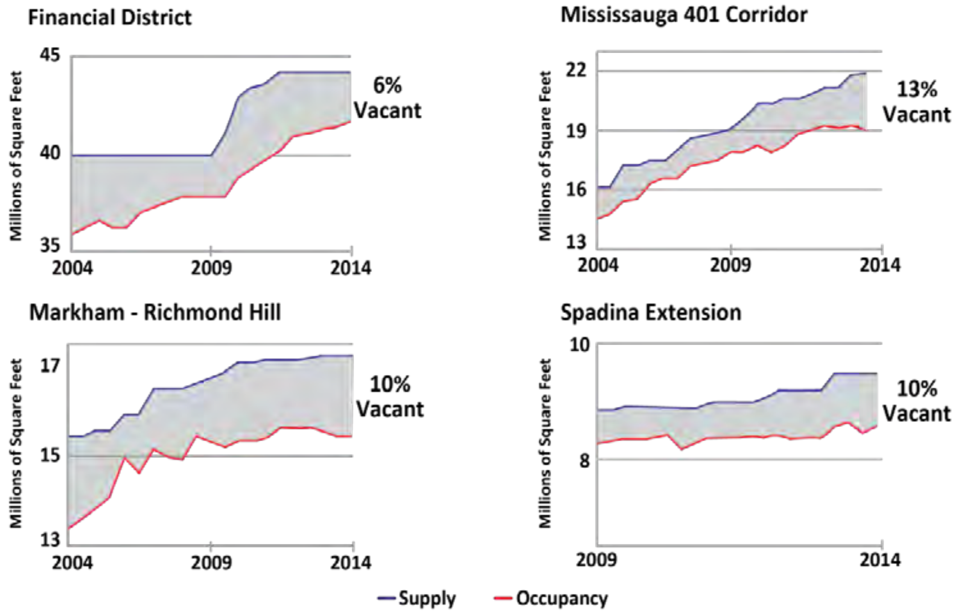


Source: Strategic Regional Research Associates, 2014

Office supply (new office construction) is driven by demand

The vast majority of office space constructed in the GTA over the past 20 years has been for single users or has had significant pre-leasing prior to construction. Figure 3 indicates the supply and demand for office space over time for several major office nodes in the GTA. The examples in the chart illustrate that upturns in demand lead to increased supply. Typically, new space is triggered when the vacancy rate, or difference between supply and demand expressed as a percentage, approaches the 5 per cent range.

Figure 3
Office Supply and Demand – Select GTA Office Nodes



Source: Strategic Regional Research Associates, 2014

Since the economic downturn in 2009, demand from the financial sector has been very strong, driving new office development in the downtown core of Toronto. Demand in the 905 areas has been soft, resulting in relatively less new office space being constructed. As the large supply of vacant space in the 905 area is taken up, new supply will be initiated to satisfy demand.

One of the greatest factors driving office location decisions is agglomeration, or the clustering of businesses for mutual benefit

There are a range of factors that drive office market demand both from a development and user perspective. Agglomeration or clustering is probably the most important factor that drives office location decisions. That is, like or related kinds of companies locate in proximity to each other for a multitude of reasons, all because it makes running their company easier. Clustering assists companies with sharing resources, accessing common services, safety/security and especially accessing a relevant workforce.

For example a globally significant financial services cluster is the primary driver of office demand in the Toronto Financial Core, representing close to 70 per cent of all office users in that location. The Markham/Richmond Hill node around the Highway 404 and Highway 7 area includes an information and communications technology cluster of significance in North America.

Cost is also always a factor, but more often for users it is secondary to 'the right space in the right place'. While municipalities don't control the market, some influence can be made to help create a positive environment for clustering through policies and strategic infrastructure investments.

Employers and employees are driving demand for more urban settings that service all their needs

Today more than ever, employers are driven by the ability to attract and retain skilled workers. Workers/employees are looking for an easier route to work (shorter commute and more options), and a workplace with amenities that allows them to live, work, shop, and play nearby.

A younger workforce is being attracted to live in locations such as Downtown Toronto where all this live/work/play lifestyle is possible. Fewer young people are driving today as evidenced by a measurable drop in young people with driver licenses, an almost 10% drop from 1991 to 2011 based on the most recent Transportation for Tomorrow Survey. This same young workforce is occupying the many condominium projects built or under construction in Downtown Toronto.

Another major factor impacting office location decisions is congestion, which is cited as one of the main issues employers across the GTA face in doing business and attracting and retaining employees. Facilitating intensification and creating the live/work/play environment requires investment in transit infrastructure to facilitate the movement of people and workers. In York Region, Centres and Corridors are being developed as true urban mixed-use connected locations with the broadest range of uses and mobility options, promoting live, work, shop and play in concentrated, accessible locations.

In the past the Region has been successful in attracting commercial office development to its suburban employment areas and business parks

The Region has been successful in attracting significant office development over time in a variety of locations, including the Centres and Corridors, highway-focused business parks and dispersed locations throughout the Region.

Historically, most of York Region's office development has occurred in business parks primarily along the 400 series highways. These business parks have presented high quality, affordable, accessible and highly visible automobile-oriented suburban locations centrally within the GTA. These areas have served the Region well, attracting many major offices such as IBM, State Farm, GE that serve as anchors for knowledge-based clusters like information and communications technology, financial services, and research focused activities in sectors such as clean technology.

Shifting from suburban to urban commercial office development presents different consideration and market opportunities

While highway focused business parks will continue to remain attractive for some types of office users, the emerging desire for vibrant, urban, transit-oriented work environments among office users will drive more high-density and mixed-use developments in the Centres and Corridors.

Developing commercial office in an urban format presents different challenges than those traditionally seen in York Region's suburban commercial office market. These include increased land costs, higher construction costs due to structured or underground parking, and the integration of transit-oriented mixed-use developments in areas of high traffic congestion.

Challenges in developing urban commercial office in the Region's Centres and Corridors are complex

As part of undertaking the York Region Commercial Office Market Analysis and Attraction Strategy stakeholders from the development community were engaged to better understand the challenges they face in building within the Region's Centres and Corridors. There were a number of challenges both real and perceived that were identified regarding developing urban format commercial office that fall into the following categories:

- Vision Versus Reality – the vision of the Centres and Corridors is viewed as positive; however the current conditions on the ground, with perceived deficiencies in public transit and a lack of mixed-use development and amenities make it hard to sell to potential tenants and developers;

- Cost of Development –the cost to develop in the Region's Centres and Corridors was identified as high due to land costs, development charges and the length of time for planning approvals; and

- Market Weakness – there are macro-economic conditions that have weakened the commercial office market across the GTA, while there is also increased competition across the GTA for that limited investment opportunity.

The study consultant analyzed the market and development costs to determine whether the challenges identified were evidence-based and to make recommendations on actions the Region might take to address these developer issues.

The study determined that York Region remains relatively competitive in the GTA from a development cost perspective

Within the GTA, cost competitiveness for businesses is largely associated with macro-economic factors such as wage rates, corporate income taxes and the dollar exchange rate, all of which are generally the same across the GTA. On a local level, cost competitiveness can vary based on a number of factors, including:

- Land prices;
- Area municipal and Regional development charges (DC's)
- Property tax rates;
- Utility costs; and
- Development approval/process timing

These factors can influence the cost component of business location decisions, both for new development and expansion of existing development.

The study reviewed prototypical office buildings in both suburban and urban markets throughout the Greater Toronto Area

To better understand the Region's competitiveness in relation to its GTA neighbours, the York Region Office Space Financial Analysis and Marketing Plan Study completed both a quantitative and qualitative analysis between urban and suburban commercial office markets previously noted in this report.

The quantitative analysis utilized a pro-forma that included the following elements:

- Total Development Cost/Annualized Cost – the total cost of development (i.e. land costs, construction costs, development charges, etc.) and the impact of annualized costs (i.e. property taxes) on the total cost of a project
- Residual Land Value Analysis – this provided an analysis of the revenue potential of the commercial office project under two scenarios:
    - Rental Revenue Stream – the financial viability of a development project subject to rental income over 25 years;
    - Sale of Project – evaluates the financial viability of a development project if sold immediately after completion

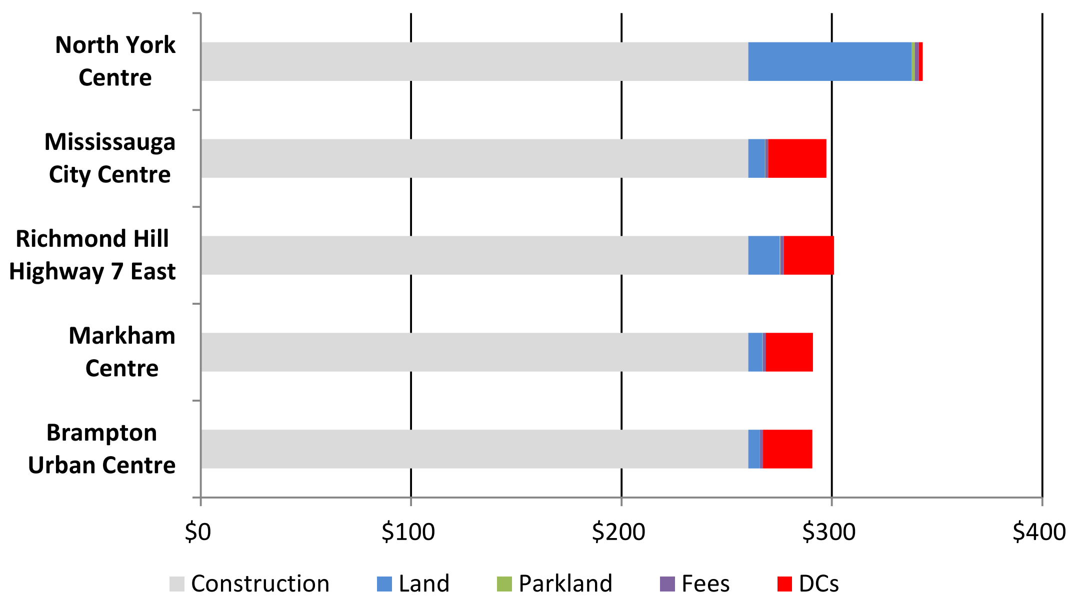
For each market, whether it was urban or suburban, a pro-forma was completed looking at prototypical developments that ranged in size from 4,645 square metres (50,000 square feet) to 27,871 square metres (300,000 square feet).

These prototypical developments considered land size requirements, land utilization and unique features of each type of development, such as underground parking for urban developments.

York Region office development costs are comparable with other GTA locations

Through the study work, office development costs in York Region were identified as being comparable to other Greater Toronto Area markets, as illustrated in Figure 4.

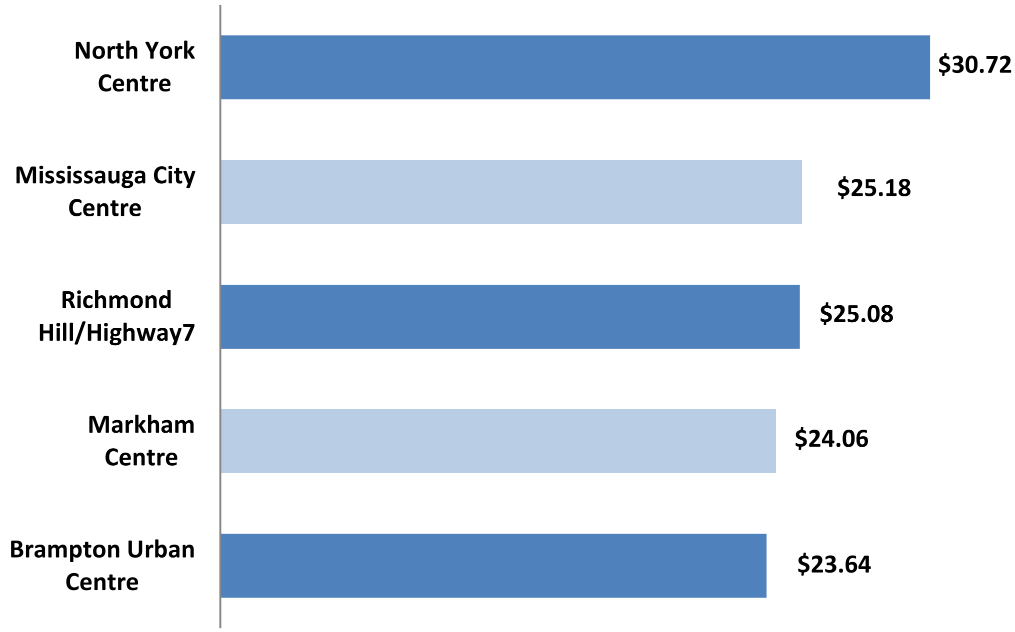
Figure 4
Comparative GTA Office Development Costs per square foot



Source: Watson and Associates Economists, Ltd.

A series of pro-forma analyses were also undertaken to compare annualized costs per square foot over 25 years for office development in competitive GTA office nodes. Figure 5 illustrates the comparative analysis for a hypothetical 300,000 square foot urban style freestanding office building.

Figure 5
Comparative GTA Office Pro Forma Analysis per square foot



Source: Watson and Associates Economists, Ltd.

Costs included in the analysis are construction (the largest component), land, development charges, parkland and development fees, realty taxes and a factor for profit.

In York Region, although area municipal and regional development charges are at the higher end of the range in the GTA, lower tax rates for office help York Region remain cost competitive overall.

The study identified several potential policy initiatives to promote office development

A range of potential policy initiatives were identified for the consideration of York Region with the overall intent of improving the marketability of the Region's Centres and Corridors for commercial office investment. The primary policy vehicle for facilitating local and regional incentives is through the introduction of Community Improvement Plans for specific locations where office investment is desired. The study concluded that the Region and local municipalities could consider:

- Development of an office-oriented C.I.P. framework at either the local or regional level
- Discussion of associated financial incentives to introduce in a C.I.P., particularly Tax Increment Equivalent Grant programs
- Continued efforts to align land use policies and regulations in Centres and Corridors, including consideration for pre-zoning of strategic lands or introduction of flexible approaches to height and density

The study notes that implementation of any specific policies must be positioned within the broader context of regional and local planning and budgetary discussions to ensure approaches are fiscally sustainable while obtaining objectives.

The study examined the use of office financial incentives and determined there is generally no strong correlation between offering incentives and generating demand

Through the study work, financial incentives for office development across the GTA and in other jurisdictions were examined. There are some areas in the GTA that offer office incentive programs and others that are considering them. However, the majority of GTA jurisdictions do not offer incentives specifically for office development, although a number are contemplating the introduction of more office-specific incentives through the introduction or updating of Community Improvement Plans.

The study identifies that there is no strong correlation between where incentives are offered and where new supply is built. There are locations across the GTA attracting new office development not providing incentives, such as areas within Mississauga and York Region. At the same time, there are locations offering incentives that are not attracting significant demand or new construction, such as in Durham Region. At best, incentives may prompt demand that is already coming to arrive sooner.

The City of Toronto has been generating significant office demand and also offers office incentives. However, the critical mass within office nodes in Toronto, and particularly in the financial core, generates significant demand internally. As noted previously, Toronto office demand growth is being driven primarily from the strength of the financial services sector concentrated in the downtown core. The financial cluster will continue to seek locations within the downtown core, and this demand would ultimately be realized without the use of incentives. It is difficult to assess the true impact of financial incentives when there are many factors that influence office location decisions.

As 905 area office markets mature and begin to achieve critical mass, more self-generated office demand growth will occur there as well. The development of strong clusters, supported by appropriate live/work/play/shop locations attractive to office users rather than financial incentives will be the primary driver of where offices locate.

The City of Vaughan is considering incentives for office development in the Vaughan Metropolitan Centre

The City of Vaughan undertook an Office Study in 2014 which identifies issues of competitiveness for attracting office development in the Vaughan Metropolitan Centre (VMC) and other intensification areas. Their consultant identified several factors unique to the VMC that contribute to higher market rents for new space compared to other 905 area locations, including a high water table that significantly increases the construction cost of underground parking.

Based on their consultants' recommendations, in May, 2014, Vaughan Council passed a resolution directing staff to initiate a Community Improvement Area (CIP) study for this area. The CIP study will consider a range of office incentives, including a development charge freeze, a Tax Increment Equivalent Grant (TIEG) program, and waiving of various other fees and charges. These incentives are intended to accelerate employment in the VMC and other intensification corridors in Vaughan and would leverage the significant public infrastructure investments being made there.

Vaughan Council directed staff to engage the Region and Province to advocate for their participation in the TIEG program.

Introducing a Regional Tax Increment Equivalent Grant program would have a measurable impact on Regional revenues

A TIEG is a grant equal to the estimated property tax increase (increment) over a specified period, typically 10 years, with a declining percentage value each year.

The proposed Vaughan TIEG program would be open for five years and is intended to act as an incentive for early adopters in the hopes of accelerating office investments, Vaughan staff estimates the cost to the City to implement the TIEG in the VMC to be $2.4 million, spread over 10 to 15 years. The analysis is based on a maximum of 1.5 million square feet of new office development over the next five years.

Using Vaughan's assumptions and maximum new office development numbers, the cost to the Region in foregone revenue under the TIEG program would be $5M in the VMC over the next 10-15 years. Using more conservative office growth assumptions based on current Regional employment projections, the impact for the Region in foregone revenue would be $1.3 million over 10 to 15 years in the VMC. If the same TIEG program were to be introduced for all projected office development for this time period within the Centres and Corridors across the Region, the total financial impact would increase to between $5 million and $7 million over 10 to 15 years.

The Region needs to maintain a balanced financial picture to ensure critical infrastructure investments can continue to be made

The Region needs to maintain a balanced financial picture. Implementing any office incentives would have a measurable impact on Regional revenues that would result in an increase in the general tax levy. The Region needs to retain revenues to deliver on an extensive capital program to develop the road, transit and servicing infrastructure that will allow intensification and city building to occur. It is this city building that will create the environment needed to attract office and mixed use developments to the Region over the long term.

Concerns exist in the business community around the ability to create functional, transit-oriented office nodes

Developing and delivering appropriate messages around office development opportunities, especially in Centres and Corridors, is necessary to support the Region's job growth and intensification goals. Developing Centres and Corridors as true live/work/play/shop locations will create attractive environments for office users to locate.

As noted previously, the research shows that there continues to be a disconnect between the vision contemplated and the delivery of that vision on the ground today. Both the Watson and Associates and Strategic Regional Research Associates work uncovered concerns in the business and development communities that not enough is being done across the GTA to create the right environment for attracting and retaining office users.

These perceptions persist in York Region despite significant on-going investments by the Region and various partners to deliver accessible, transit-oriented Centres and Corridors where the vision can best be realized.

Marketing and communications are necessary to influence behaviours that will achieve Centres and Corridors objectives

There are currently efforts underway in various parts of the Region to promote business growth, Centres and Corridors and transit ridership. As a result of the study work, an internal Regional working group has been formed to examine how best to develop common messages and deliver coordinated marketing efforts in this regard. A coordinated, concerted effort is required to create awareness, impact attitudes and ultimately change behaviors regarding office location decisions, urban choices and transit usage.

Various developers, brokers and municipalities are already undertaking activities and marketing campaigns to promote urban-styled developments in the Centres and Corridors. The Region and all stakeholders would benefit from a coordinated effort in developing and sharing common messages around:

- overall cost competitiveness
- competitive commercial tax rates
- workforce availability
- business clusters
- available sites and buildings
- live/work/play/shop opportunities

A Marketing and Communications Plan is under development to examine how best to create awareness and influence office location decisions

The attached Centres and Corridors Office Attraction Work Plan has been developed by the working group to guide the creation of an overall marketing and communications plan (see Attachment 2). The Region has already reached out to the local municipalities to initiate the conversation around possibilities for coordinated marketing efforts. The Work Plan also identifies outreach to the development and brokerage community, as well as continued connection with office users, to ensure the creation of effective messages and delivery vehicles.

Staff will bring back a Centres and Corridors Office Attraction Program in Q4 of 2015 for Council's consideration.

Link to key Council-approved plans

Business and job growth realized through office developments is recognized as a priority in the *2015-2019 Strategic Plan*, the *Regional Official Plan* and *Vision 2051*. In particular, focusing growth, intensification, mixed use developments and jobs in Regional Centres and along Corridors is a policy in the Regional Official Plan. The Plan is focused on increasing intensified mixed-use development, maximizing economic development potential and optimizing transportation capacity and services in Regional Centres and Corridors.

5. Financial Implications

The consultant undertaking the work was retained through a formal Request for Proposal and all costs associated with the work have been included in various department approved budgets. Implementation costs for the marketing and communications plan will be addressed through existing budget allocations or appropriate budget requests in future budgets.

6. Local Municipal Impact

The development of the Region's Centres and Corridors plays a large role in meeting the population and employment growth targets that have been assigned by the Region to the local municipal level. All of the municipalities that are located within the Region's Centres and Corridors recognize the importance of realizing the right mix of commercial office development in order to realize the Region's vision of complete communities. All of these local municipalities have been engaged in this project and will continue to be engaged in the development of a marketing and communications program to support their own initiatives.

7. Conclusion

The Region has identified the creation of high value, knowledge-based office jobs as important to future economic prosperity. Many of these types of jobs will be accommodated in office space located in Regional Centres and Corridors. In an effort to better understand the opportunities and challenges of attracting and retaining these jobs in the future, the Region undertook the York Region Office Space Financial Analysis/Market Analysis and Marketing Plan Study. The Study concluded that while office market demand in the 905 municipalities is limited at present, generally York Region is an attractive and cost-competitive location for future office growth in the Greater Toronto Area context. The Study also concluded that promoting the strengths of the Region relative to office users would assist in efforts to attract investment.

The City of Vaughan has undertaken its own review of the office market relative to the Vaughan Metropolitan Centre, and as a result is proposing to introduce incentives to attract office investment there. Vaughan Council is asking for York Region's participation in a Tax Increment Equivalent Grant program to reduce development costs and make the VMC more attractive. The Region's Study determined there is no strong correlation between offering office development incentives and where office demand is realized. The Region needs to maintain a balanced financial picture to ensure funds needed to continue to build critical city-building infrastructure are available. It is this investment in infrastructure that will have the greatest long term impact on attracting and retaining office employment.

For more information on this report, please contact Doug Lindeblom, Director, Economic Strategy at ext. 71503.

The Senior Management Group has reviewed this report.

March 26, 2015

Attachments (2)

6033569

Accessible formats or communication supports are available upon request

Executive Summary

Introduction

York Region retained Watson & Associates Economists Ltd. (Watson), in association with Millier Dickinson Blais (MDB) and DTZ Canada Inc. (DTZ), in the fall of 2013 to evaluate the competitiveness of the Region's office development market and the potential to develop and facilitate a greater amount of office commercial development within its Centres and Corridors. The study assesses York Region's competitive position in the office market within the context of the Greater Toronto Area (G.T.A) through a review of five (out of nine) of the Region's larger urban lower tier municipalities – Aurora, Markham, Newmarket, Richmond Hill and Vaughan.

York Region's Regional Centres and Corridors include four Regional Centres (Markham Centre, Newmarket Centre, Richmond Hill/Langstaff Gateway and Vaughan Metropolitan Centre) and seven Corridors (Highway 7 West, Highway 7 East, Yonge (Thornhill), Yonge (Richmond Hill), Yonge North, Davis Drive and Green Lane East).[1] The Regional Centres are categorized as emerging downtowns but they vary in terms of their current baseline conditions. The Regional Corridors are largely oriented along Highway 7 and Yonge Street and are intended to be urban mixed-use corridors linking the Regional Centres

Historically, York Region has been relatively successful at attracting and accommodating office development. The majority has been accommodated in employment areas along the Highway 400, 404 and 407 corridors within Markham, Richmond Hill and Vaughan. Though it is considered important that the Region maintain its competitive position in the suburban office market for the foreseeable future, the Region has identified that it is a key priority to promote office development within its Regional Centres and Corridors from both an economic and planning perspective.

York Region is anticipated to experience significant employment growth between 2011 and 2041 and a significant share of this is expected to be in the form of major office employment. At the same time, provincial and regional policy planning direction has identified the need to intensify development within key nodes and corridors in the Region. The Region recognizes major office employment growth should be focused along its Centres and Corridors to better leverage infrastructure investment and promote transit use. Further, though there is generally a sufficient supply of greenfield employment lands to accommodate growth, Richmond Hill and Newmarket are approaching buildout and there is a lack of strategically located vacant employment land along the Highway 400 corridor and there are also challenges related to servicing some remaining greenfield lands. As such, there will be an increasing need

[1] This study examines all Regional Centres and Corridors for office development potential, with the exception of Green Lane, which is largely a greenfield area and is considered to have relatively low potential for urban type office development.

over the longer term to expand market choice for office development beyond greenfield lands in employment areas to include opportunities within the Region's Centres and Corridors.

Though there are opportunities for office development within the Region's Centres and Corridors and a desire from a policy perspective to attract an increasing share of office development to these areas to meet planning, economic and fiscal objectives, there are also feasibility challenges. The Region has seen some success in residential development in its Centres and Corridors, while office development has been more limited.

The future market potential for office development within the Region's Centres and Corridors will be determined by a number of factors including:

- Macro economic trends affecting the G.T.A. office market;
- York Region's office market competitiveness;
- Cost of development;
- Character of the urban area (e.g. community amenities, access to public transit);
- Site availability/suitability;
- Land use policies/regulatory framework; and
- Financial viability and potential incentives.

This study explores factors related to demand, including macroeconomic trends and regional drivers of office demand and the competitiveness of York Region in the office market. The opportunities/challenges for office development within the Region's Centres and Corridors are also assessed along with potential planning and financial incentives/tools and marketing initiatives that can potentially facilitate office development within these areas.

Overview of Greater Toronto Area Office Market

The G.T.A. has Canada's largest concentration of office development and is among the five largest in North America, with total office space of 171.8 million sq.ft. of G.F.A. Of this, 70% is located within the City of Toronto with the majority located in the downtown core. Outside of the City of Toronto, major office clusters are located in the "905" area including York Region (Highways 404/407 in Markham and Richmond Hill and the Highway 400 Corridor in Vaughan), Peel Region (Mississauga Airport Corporate Centre, City Centre and Meadowvale), and Halton Region (Q.E.W. Corridor in Burlington and Oakville). York Region's office market totals approximately 16.2 million sq.ft. of G.F.A, representing 9% of the G.T.A. total.

Over the past 15 years, the G.T.A. office space inventory has expanded by approximately 30 million sq.ft. averaging approximately 2.0 million sq.ft. annually. Over the period, York Region's office inventory has increased by 5.9 million sq.ft., representing approximately 20% of total office space developed in the G.T.A.

Office development patterns in the G.T.A. have shifted significantly over the past 15 years. The City of Toronto's share of new office development has steadily increased from 12% over the 1999-2003 period to 57% over the 2009-2013 period. Over the same period, all "905" Upper Tier municipalities have seen a decline in their share of the office development activity. The most significant has been in York Region, which has seen its share of new office market development decline from 29% in 1999-2003 to 7% in 2009-2013. This is reflected also in absolute terms, where development activity over the 2009-2013 period was approximately one-fifth of the level achieved over the 1999-2003 period.

Historically, a significant share of office development within the G.T.A. has been accommodated in the "905 area" within suburban greenfield employment areas. Over the past decade, however, there has been a notable shift in activity from suburban-type office development in 905 employment areas to urban-type office development in downtown Toronto. Office development activity in downtown Toronto jumped significantly in 2009-2013 compared to the previous 10-year period. While downtown Toronto has experienced significant success in office development, office development activity in other areas in the City of Toronto has been relatively limited. Based on the geographic location of office space currently under construction or pre-leasing in the G.T.A., the continued dominance of the City of Toronto in attracting office development in the downtown core will continue at least over the short to medium term.

Key suburban office nodes/corridors within employment areas in the G.T.A. (outside of York Region) profiled in this study include the Q.E.W. Corridor in Burlington and Oakville, Meadowvale and Airport Corporate Centre in Mississauga, Highway 407 Corridor in Brampton and Don Mills, Highway 401/404 and Highway 404/Steeles area in the City of Toronto and Pickering. Major urban nodes with concentration of office development profiled include North York Centre, Brampton Centre, Mississauga City Centre and Scarborough Centre.

The office nodes/corridors profiled in the G.T.A. range in size between approximately 1.0 million and 7.0 million sq.ft of office G.F.A. The largest include North York Centre, Mississauga Meadowvale, Mississauga Airport Corporate Centre and North York 401/404 which exceed 5.0 million sq. ft. each. The strongest office development activity over the past decade has been in Oakville Q.E.W. Corridor and Mississauga Meadowvale while suburban office nodes in the City of Toronto (Don Mills, 401/404 and 404/Steeles) have seen minimal development activity over the period.

York Region Office Market

York Region’s employment areas have historically accommodated the majority of the Region’s office development. Municipalities including Richmond Hill and Markham have traditionally been successful in attracting a steady absorption of office development. Recently, Vaughan has also seen an increasing share of office development on its employment lands. Key employment areas within the Region with notable office space concentration and profiled in this study include Commerce Valley, Allstate/Cachet/404 and the Dension Steeles Area in Markham, Beaver Creek-Barker Area in Richmond Hill, Highway 400 Corridor in Vaughan, Wellington/404 Area in Aurora and Highway 404 Corridor in Newmarket. The largest office nodes/corridors in York Region include Markham Denison/Steeles, Markham Allstate/Cachet/400 North, Markham Commerce Valley and Richmond Hill Beaver Creek Barker Area which have between 2.3 million and 4.3 million sq.ft.of office G.F.A.

The largest concentration of office development in the Region’s Centres and Corridors is in Markham Centre (1.2 million sq.ft.) comprised of a mix of newer urban and suburban type office development. The remaining Centres and Corridors have relatively small office space inventories (260,000 sq. ft. or less) comprised largely of older small-scale suburban type office buildings.

The strong office development activity within York Region over the past decade has occurred in Markham Allstate/Cachett/400 North, Vaughan 400 North and Markham Commerce Valley. Relative to other office nodes/corridors surveyed, Markham Centre has experienced moderate office development activity over the period. Office development in the Region’s other Centres and Corridors has been more limited, however, two recent developments are worth noting. This includes the KPMG tower (a 15-storey, 300,000 sq.ft. building) currently under construction in the Vaughan Metropolitan Centre and the World on Yonge development (10-storey, urban mixed-use development with 126,000 sq.ft.of office space) in the Yonge Street Corridor in Thornhill built in 2013.

Over the 2009-2013 period, nearly one-third of new office-based employment within York Region has been in the professional, scientific and technical services (P.S.T.S.) sector, followed by 20% in health care and social services, and 11% for finance and insurance. York Region has been relatively successful at attracting the P.S.T.S. sector. Though York Region has historically been relatively strong in management of companies and information and cultural industries sectors, new business employment growth in these sectors has been relatively limited since 2009.

Macro Economic Drivers of Office Development in the Greater Toronto Area

Similar to the provincial economy as a whole, the nature of the G.T.A. economy is changing. Over the past 20+ years, the composition of the G.T.A. employed labour force has gradually shifted from the goods-producing sector to the service sector, including education, health care and business services sectors. Collectively, these sectors comprise a large portion of the “knowledge-based” or “creative class” economy of which many are “export-based” and largely accommodated within office development.

G.T.A. employed labour force growth over the past decade has been strongest in service producing sectors including office-related sectors such as professional, scientific and technical services, finance, insurance and real estate. Currently, one-third of all jobs within the G.T.A. are accommodated within an office environment.[1]

Over the next 30 years, considerable new employment growth is anticipated in the G.T.A. of which a significant share is expected to be office based. Key industry sectors to be accommodated within office development include finance and insurance, professional, scientific and technical services, head office/management and information technology.

Office Competitiveness in Greater Toronto Area Context

Within the G.T.A. market, there are a number of municipalities with which York Region competes directly for office development. York Region's most immediate competition within the office market includes Mississauga, Brampton, Burlington, Oakville, Toronto and Pickering. All of these municipalities generally offer regional attributes which appeal to prospective international and local firms. To better understand the context of office development in York Region, a roundtable consultation with the development community was held and facilitated by the Consultant Team, during which commercial office experts were led through an examination of the current position of York Region in the commercial office market, and a detailed discussion of where potential growth and investment attraction opportunities may lie. The results of these discussions are incorporated into the study findings.

A significant factor influencing business decisions on where to locate is the cost competitiveness (both capital investment and operating costs) of the development in relation to the market demand and potential return on investment. On a local level, cost competitiveness varies based on a number of factors, including:

- Lands prices;
- Development charges (D.C.s);
- Property tax rates; and
- Development approval/process timing.

Office development and the employment sectors they typically accommodate have certain site-specific requirements which includes:

- Access to skilled labour force;
- Proximity to related industry clusters (companies and public institutions such as universities);

[1] The New Geography of Office Location and the Consequences of Business as Usual in the G.T.A., Canadian Urban Institute, March 2011.

- Prestige setting;
- Access to high order public transit;[1]
- Access and exposure to 400 series/limited access highway;
- Ease of access/egress;
- Access to on-site amenities/services and proximity to off-site services; and
- Potential for live/work opportunities.

These factors can strongly influence business location decisions, both for new development and expansions. Within the G.T.A. context, the relative importance of these attributes is changing which is impacting office development patterns. These factors were explored in understanding the recent shifts in office development patterns in the G.T.A.

Drivers of Shift in G.T.A. Office Development Activity

As previously highlighted, the G.T.A. has seen a significant shift in office development activity from the "905" area to downtown Toronto. There are a number of economic and demographic factors which are driving this shift in office development. These are ultimately being driven by preferences/requirements of office tenants.

It is evident from the analysis contained herein that office tenants across all sectors are increasingly looking for access/proximity to high-order transit and services/amenities, attributes which urban centres such as downtown Toronto offer more readily than suburban employment locations in the 905 area. An increasing number of office tenants are looking for environments that feature mixed-use development and offer opportunities for live/work. The quality and location of new office space is considered as a very important tool to attract and retain talent.[2]

The proximity to a growing labour force pool, comprised largely of the growing Millennial generation (Generation Y) in downtown Toronto has also been a notable contributor to increased demand for office space by select sectors, namely information and cultural industries, and professional, scientific and technical services, and impacted office development activity in the area.

The role of cost of office development and financial incentives in the shift in office development is less evident. The cost of development in downtown Toronto remains significantly higher than in the 905 area, which is reflected in the significantly higher market rents. While over the 2008-2013 period the cost of development in the City of Toronto has become marginally more competitive, it has

[1] High order public transit includes all forms of transit service separated partially or completely from general vehicular traffic.
[2] Emerging Trends in Real Estate, Canada and United States 2015, PricewaterhouseCoopers and Urban Land Institute.

not translated into a notable increase in office development in areas of Toronto outside of the downtown core. This suggests that the role of financial factors in driving the shift in office development is likely more limited, though certain financial tools/incentives may be having a positive impact on redevelopment/infill projects in certain geographic areas of Toronto.

Changing demands of office tenants and demographic trends are strong factors why downtown Toronto is becoming increasing competitive for office development despite relatively high tax rates and land costs compared to the “905” area. This suggests that “905” municipalities need to make a greater effort to increase opportunities to accommodate office development in mixed-use settings that offer access to high-order transit and quality of life in their respective communities, to attract a “knowledge-based” skilled labour force to reside in their communities and attract “knowledge-based” employers to their communities.

Cost Competitiveness and Financial Feasibility Analysis

<u>Overview of Analysis</u>

A factor influencing business decisions on where to locate office development is the cost competitiveness (both capital investment and operating costs) of the development in relation to the market demand and potential return on investment. Further, it is critical that the revenue generation potential of a development be assessed with corresponding capital and operating costs through a cost benefit analysis, using a cost-based approach, to evaluate the economic attractiveness of the development.

The cost competitiveness of development, economic viability and investment potential of office development within York Region was examined through a series of pro-forma financial analyses. This is presented through the assessment of the feasibility of constructing and operating various prototypical industrial and office developments within each of the Region’s Centres and Corridors in comparison to the profiled office nodes in York Region and the rest of the G.T.A.

The cost competitiveness of development and financial feasibility analyses of select prototypical office development were completed through the following means:

- Total Development Cost/Annualized Cost – Comprises the total cost of development across municipalities and shows the impact of annualized cost components (including development charges) on total costs.
- Residual Land Value Analysis – Reflects both revenue potential and development costs under two revenue scenarios – rental revenue stream and sale of project.

For the purposes of the exercise, the G.T.A. office market is assessed through two distinct sub-markets:

- Suburban – office development with surface parking located in employment areas. Analysis includes York Region's key office nodes located within employment areas and key office nodes within employment areas in other G.T.A. locations;

- Urban – office development with underground parking located in downtown centres and more urban corridors. Analysis includes York Region's Regional Centres and Corridors and other key urban/downtown centres within the G.T.A.

For the purposes of this exercise, five prototypical Class A office developments were analyzed. This includes three suburban office buildings with surface parking with a G.F.A. of 50,000, 150,000 and 300,000 sq.ft. (reflected in the suburban office market analysis) and two urban office buildings with underground parking with a G.F.A. of 100,000 and 300,000 sq.ft. (reflected in the urban office market analysis)

In the generation of the total development annualized cost, the analysis considered land costs, construction costs, development charges, parkland dedication costs, building permit fees and a provision for developer project profit.

Comparison of Development Costs in the G.T.A.

A comparison of development charges, property taxes and land prices was undertaken with the following findings:

Development Charges

- Commercial development charges in Markham and Richmond Hill are, next to Mississauga, the highest of the municipalities surveyed.
- In comparison, rates in Aurora, Vaughan and Newmarket are similar to the G.T.A. survey average of $20.51 per sq.ft.
- The lowest development charges within the surveyed municipalities are in Toronto, Burlington and Pickering.

Property Taxes

- Commercial property tax rates in the select York Region municipalities are among the lowest of the municipalities surveyed.
- The commercial property tax rates in Markham, Richmond Hill and Vaughan are significantly lower than in the other G.T.A. surveyed municipalities.
- Rates in Aurora and Newmarket are comparable to those in Burlington and Oakville.
- In comparison, rates in Mississauga and Brampton are marginally higher, while those in Pickering and Toronto are significantly higher.

Land Prices

- Generally, land prices tend to be higher in urban locations than in geographically comparable suburban employment areas;
- With the exception of Don Mills, suburban office market employment land prices are the highest in Markham, Richmond Hill and Mississauga, ranging between $1.2 million and $1.5 million per acre;
- In comparison, employment land prices in Halton Region (Burlington and Oakville) are moderately lower ($712,000 and $895,000 per acre, respectively);
- Land prices in Newmarket and Aurora employment areas are relatively low at $600,000 and $650,000 per acre, respectively;
- The least expensive land within the surveyed municipalities is in Pickering where land costs average $310,000 per acre.
- In the G.T.A. urban office market, the highest land price of the surveyed locations is in North York Centre ($13,535,000 per acre);
- Land costs in York Region's Centres and Corridors range between $1,100,000 and $3,900,000 per acre, with Richmond Hill Centre, Markham Langstaff Gateway and Vaughan Metropolitan Centre being the most expensive ($3,300,000 to $3,900,000 per acre); and
- In comparison, land prices in Mississauga City Centre and Brampton Centre average $1,375,000 and $950,000 per acre, respectively. The corridors in Newmarket and Aurora (Yonge Street North and Davis Drive) have the least expensive vacant commercial office land, ranging between $350,000 and $500,000 per acre.

<u>Annualized Cost Comparative Assessment</u>

Based on the cost comparative analysis, the following conclusions can be drawn on the costs of office development in the G.T.A.:

- Cost of development (on a sq.ft. basis) for office development generally declines as building size increases, due to higher land utilization (higher F.S.I.);
- Of the office nodes surveyed, Toronto Don Mills has the highest annualized cost of development, largely due to the high cost of land;
- The next most expensive suburban office nodes surveyed from an annualized cost of development perspective are Mississauga Meadowvale and Mississauga Airport Corporate Centre;
- The cost of suburban office development in Markham, Richmond Hill and Vaughan is slightly lower than in Mississauga but marginally higher than in other suburban office nodes in Brampton and Oakville/Burlington Q.E.W. Corridor and Pickering;
- The cost of urban office development is significantly higher than for suburban office development, due largely to higher construction costs (provision for underground parking) and higher land costs which are only partially offset by higher land utilization.

- Of the urban office nodes/corridors surveyed, North York Centre has the highest annualized cost of development, largely due to the high cost of land;
- The cost of development in Vaughan Metropolitan Centre and the Centres/Corridors in Markham and Richmond Hill are the highest in York Region, but comparable to Mississauga City Centre and Scarborough Town Centre;
- Newmarket Centre, Vaughan Highway 7 West and Corridors in Newmarket and Aurora have the lowest cost of urban office development of the areas surveyed, similar to Brampton Centre; and
- Overall, York Region municipalities have a competitive annualized cost for both suburban and urban type office development.

<u>Development Charges as a Share of Total Development Cost – York Context</u>

Development charges currently account for approximately 8% of the total annualized development cost of a typical 150,000 sq.ft. suburban office development in York Region. Construction costs on average account for 55% of total development cost, while land costs account for 14%, developer profit 4% and property taxes 19%. Parkland dedication costs (cash in-lieu) and building permit fees are a relatively small charge of the total cost, comprising 0.3% and 0.4% of the total, respectively. In comparison, for a 300,000 sq.ft. urban office building, development charges account for 6% of total annualized development costs, while construction costs account for 70%, land 3%, property taxes, 17% and developer profit 4%. Parkland dedication costs (cash-in-lieu) and building permit fees comprise 0.1% and 0.3% of the total, respectively.

<u>Financial Feasibility of Office Development</u>

Based on the residual land value analysis undertaken, the following summarizes the financial feasibility of office development in York Region and the broader G.T.A:

- The financial viability of a project increases as the size of the office building increases. This is largely attributed to lower development costs attributed with higher utilization of land. This is particularly relevant in areas with high land costs, such as Markham and Vaughan, where only the larger office buildings (i.e. 300,000 sq.ft.) are likely financially viable. It is important to note, however, that in outer G.T.A. locations such as Newmarket, Aurora and Pickering, the market demand may limit the upward size potential of an office development despite the pro forma suggesting otherwise.
- The analysis suggests the the economic viability of a stand-alone office development within the surveyed urban office nodes, including the Region's Centres/Corridors, is unfavourable. This is largely attributed to relatively higher construction costs (attributed to high land prices and the requirement for structured parking) and net market rents that are generally no higher than in the suburban office market;

- In relative terms, suburban office development is more financially viable than urban office development in both York Region and other parts of the G.T.A. This is attributed to higher costs of development and market rents/sale prices that are only marginally higher than suburban office locations;
- Market conditions and the corresponding financial viability for suburban office development are favourable in most York Region locations, though high land prices limited the potential for smaller office buildings (150,000 sq.ft. or less) in Markham, Richmond Hill and Vaughan. Competitive land prices in Newmarket and Aurora make the 404 corridor in these municipalities an attractive location for small- to medium-sized office buildings (i.e. 50,000-150,000 sq.ft.); and
- With the exception of Yonge Street Corridor in Thornhill, the financial viability of stand-alone urban office development in the G.T.A. is currently relatively weak without other financial incentives to offset development costs. The analysis suggests that an urban office development project needs to be part of a mixed-use development (i.e. combined with a retail/residential component) in order to be economically viable in these markets.

Development Potential of Region’s Centres and Corridors

Based on the baseline conditions identified, office market profiles, market drivers of office development and the cost competitiveness/ financial viability of office development, a S.W.O.C. (strengths, weaknesses, opportunities, challenges) of York Region’s Centres and Corridors was undertaken.

Based on the findings of the work completed, the following provides an overall assessment of the Region’s Centres and Corridors in terms of office development competitiveness and potential.

The G.T.A. office market is in a period of transition and structural change with an increasing demand for locations which offer access to high-order transit, a mixed-use environment potential for live/work opportunities, and access/proximity to amenities and services. Urban mixed-use environments are becoming increasingly desirable locations for office-related businesses, as reflected in the relatively high market rents and low vacancy rates for office space in these locations. This, combined with diminishing greenfield opportunities for office development within employment areas in York Region, and provincial and regional policy initiatives to locate major office development increasingly within the built boundary, offers strong opportunities for this type of office development within the Region’s Centres and Corridors. However, the Region’s Centres and Corridors are not a uniform entity with wide variation in terms of their baseline conditions, geographic location and market demand for office space which impacts the short-, medium- and longer-term prospects for urban office development, as summarized in Figure E-1. Further, the market for new office development within the G.T.A. is competitive, and York Region’s Centres and Corridors will compete directly with other locations for future office development.

The strongest short- to medium-term opportunities for urban office development within the Region's Centres and Corridors are in Markham Centre and Vaughan Metropolitan Centre. Markham Centre has a strong existing mixed-use community and a track record for urban type office development, as evidenced by recent development activity and pre-leasing activity. Vaughan Metropolitan Centre, though less developed than Markham Centre, will shortly be served by the Yonge-Spadina subway extension which is expected to strengthen the office market potential significantly. This is already evident with the construction of the KMPG building and other planned development. Richmond Hill Centre Langstaff/Gateway, though well located geographically, has some challenges and offers moderate office development potential over the short to medium term. However, potential will become much stronger over the longer term which will likely be strengthened greatly with the planned subway extension. In comparison, Newmarket Centre is anticipated to have more limited market potential for urban office development in the short and medium term, though this will strengthen over the longer term.

Yonge Street Thornhill and Highway 7 East (West of Markham Centre) offer moderate potential for urban office development over the short and medium term and are expected to become stronger over the longer term. Both Corridors have elements of urban character to build on and are geographically well positioned. In contrast, Highway 7 East (East of Markham Centre), Highway 7 West and Yonge Street Richmond Hill are comparatively more suburban and though well located geographically, will require a longer term outlook to become urban Corridors and hold potential for urban office development. In the meantime, these locations will continue to offer moderate potential for low-rise suburban type office development. Yonge Street Newmarket/Aurora and Davis Drive have the most limited potential for urban office development which is expected to remain low for the foreseeable future. The Corridors will offer opportunities for low-rise suburban office development, particularly in proximity to the health cluster along Davis Drive.

Figure E-1
York Region Centres and Corridors
Market Potential for Urban Office Development

Location	Urban Office Market Potential (Short to Medium Term)	Urban Office Market Potential (Longer Term)
Regional Centres		
Markham Centre	Strong	Strong
Vaughan Metropolitan Centre	Strong	Strong
Richmond Hill Centre/Langstaff Gateway	Moderate	Strong
Newmarket Centre	Low	Moderate
Regional Corridors		
Highway 7 East (West of Markham Centre)	Moderate	Strong
Yonge Street Thornhill	Moderate	Strong
Yonge Street Richmond Hill	Low	Moderate
Highway 7 East (East of Markham Centre)	Low	Moderate
Highway 7 West	Low	Moderate
Yonge Street Newmarket/Aurora	Low	Low
Davis Drive	Low	Low

Despite the increasing demand for urban type office development, the financial analysis presented suggests that the financial viability of this type of office development tends to be less favourable than for suburban office development. The following section explores development incentives and marketing initiatives that could be implemented to better capitalize on the market potential of the Region's Centres and Corridors for office development.

Development Incentives Scan

There are a range of financial and policy tools available to local and regional municipalities in Ontario, which have the ability to support and encourage specific types of development. A scan of policies and programs currently offered in municipalities across the G.T.A., and in other parts of Ontario and Canada was undertaken to identify potential incentives that have been designed (in whole or in part) to promote or attract office uses.

Incentives encouraging development or redevelopment have been developed by most communities across the G.T.A., including in York Region, though very few are focused exclusively on supporting office development. The primary policy tool used to deliver incentives across the surveyed communities is the Community Improvement Plan (C.I.P.), with a range of communities providing programs and incentives in support of more general land use development objectives (e.g. mixed use development, transit-oriented development at higher order transit nodes), or more site-specific policies and programs to support community redevelopment objectives (e.g. façade improvement). Generally speaking, C.I.P.s are used as the framework to create and provide specific incentives targeted, and in most communities surveyed, represented the first step in the process.

Many of the C.I.P.s currently under study across the G.T.A. are contemplating the introduction of more office-specific incentives as they are developed, while many of those currently in place are considering amendments to introduce office-oriented policies. Through C.I.P.s, municipalities often provide incentives in the form of grants equivalent to tax increases, as well as development charge and fee rebates. Outside of C.I.P.s, several municipalities in Ontario and across Canada offer incentives to allow for density and height above prescribed levels in exchange of community amenities.

Overall, most of the jurisdictions surveyed saw a need for incentives to encourage office development, particularly office development that accomplishes specific economic development objectives. This includes development in areas of lower market demand, but also development that accomplishes community-specific objectives like more headquarter operations, such as in Toronto's financial district. However, as with all types of incentives, surveyed communities have attempted to address a number of common problems related to program balance to ensure sustainability, as well as transparency in how potential incentives are evaluated or approved.

Potential Policy Initiatives

Building on the findings of the background review and incentives scan, a range of potential policy initiatives were identified for the consideration of York Region, with the overall intent of improving the marketability of the Region's Centres and Corridors for commercial office investment. However, implementation of any specific policies was intended to be positioned within the broader context of regional and local planning and budgetary discussions, to ensure approaches are fiscally sustainable, while achieving both local and regional objectives in the Centres and Corridors.

Planning tools and mechanisms offer the Region the potential to create environments more conducive to office development. For example, provision of conditional or approved zoning was highlighted as a potential priority in areas where the region could see greenfield development (e.g. Vaughan Metropolitan Centre, Highway 7 East), as a means of providing more certainty to the development community. Further, opportunities for the Region to provide guidance on height and density flexibility, promote mixed-use development, and develop or participate in Community Improvement Plans were noted as high priority planning tools and mechanisms to consider.

Given the relative cost of office development in the Region's Centres and Corridors (compared to projects in the region's employment areas), financial incentives were examined to facilitate and encourage standalone and mixed-use office development in the Centres and Corridors. Tax Increment Equivalent Grants (T.I.E.G.s), largely as a result of development community interest and comparatively more limited cost to implement, emerged as higher priority financial incentives to investigate, where C.I.P. frameworks permit. T.I.E.G.s can be a driver of development in geographic areas where the market has been slow to respond, or in market sectors where developments do not match municipal objectives. As such, T.I.E.G.s were highlighted as a comparative priority, particularly in the Centres and Corridors that offer greenfield opportunities. Development charge incentives and building fee rebates were also highlighted as potential strategies, but given their potential financial impacts on the municipality, were noted as best deployed only in strategic areas where urban office-type development is most viable, or if the Region and local municipalities can develop strategies to mitigate potential fiscal impacts.

Several conclusions were generated through the process, with recommendations for the Region and its local municipalities including:

- Development of an office-oriented C.I.P. framework at either the local or regional level;
- Discussion of associated financial incentives to introduce in a C.I.P., particularly T.I.E.G. programs; and
- Continued efforts to align land use policies and regulations in Centres and Corridors, including consideration for pre-zoning of strategic lands or introduction of flexible approaches to height and density.

Outline of Strategy to Promote/Facilitate Office Development in the Region's Centres and Corridors

At present, much of the marketing and promotion of the Region's Centres and Corridors is done by private sector developers who own land or buildings in the area. In order to further encourage development of office uses in the Centres and Corridors, a strategy was developed for the Region and its local municipalities to take a more proactive role in supporting office-oriented development in strategic areas. The strategy was based on principles of rapid response and customer service, collaborative approaches with the private sector, and coordination of resources and efforts into a "one team" approach.

The recommended strategy notes a number of potential target markets, with priority targets including existing developers in York Region, existing businesses in York Region, investment influencers (e.g. real estate professionals, site selection consultants, provincial/federal government investment advisors), and corporate decision makers connected to the region's existing global networks. These targets were followed by a secondary targeting of corporate location decision makers more broadly. Three key initiatives are recommended in the strategy, to build the profile of York Region and ultimately attract office-oriented investment:

- Action 1 – Improve Investment Readiness through Enhanced Online Presence and Incentive Tools, including the creation of a sector profile and associated web-based materials, streamlining of existing web presence, adoption of customer service standards, development of a "One Team" approach, collection of testimonials, development of digital video investment and marketing content, and web optimization techniques**;**

- Action 2 – Increase Profile and Build Relationships with Influencers, including inventorying of key contacts, preparation of fact sheets, media interaction and public relations, organization of events, attendance at major events, targeted social media, and staging of familiarization tours; and
- Action 3 – Undertake Business-to-Business Level Engagement with Corporate Decision Makers, including engaging with existing business networks to understand and leverage global business networks, and attending strategic trade show events paired with undertaking targeted pre-show lead generation and post-show follow-up activities.

Future Outlook for the Greater Toronto Area and York Region Office Markets

Based on a review of the employment forecast for the Greater Toronto Area as presented in the Growth Plan, a review of office buildings under construction and pre-leasing, and a market assessment of growth prospects by sector and area, an office development forecast for the G.T.A. was developed. It is forecast that office space in the G.T.A. is expected to increase by 24 million sq.ft. of G.F.A. over the 2014-2034 period. Of this, 55% is expected to be captured within the City of Toronto and 45% in the 905 area. York Region's share of new office development is anticipated to be approximately 15% of the G.T.A. total, equating to approximately 3.6 million sq.ft. York Region's forecast share of new G.T.A. office development is expected to be nearly double that experienced over the past five years, but will remain below levels achieved over the 1999-2009 period.

Over the next decade, finance and insurance, and professional, scientific and technical services are expected to experience strong employment growth and are expected to occupy a significant share of office space that is to be constructed. Moderate growth opportunities also exist in information and cultural industries, and real estate and leasing and rentals.

It is anticipated that downtown Toronto will remain an attractive location for office development over the next decade. This will be driven largely by office space demands by the finance and insurance sector, information and cultural industries and professional, scientific and technical services. Office space in downtown Toronto is expected to be strongest for front-office and higher-paid occupations.

Sites to accommodate new office development in the downtown core are becoming more limited, which is requiring developers to look further in the periphery to locate new development. With limited development sites and low vacancy rates, net market rents are expected to remain at a premium. Furthermore, limited population growth in the 20-34 age group over the next decade and an anticipated exodus of a share of Millennials from the downtown core to more suburban locations is expected to have a negative impact on the labour force pool in downtown Toronto.

Over the next decade, York Region's attractiveness in the office market is expected to improve. It is expected that York Region, along with other 905 communities which have significantly lower development costs than downtown Toronto, will remain very cost competitive in terms of market rents. Cost control and efficiency is considered one of the key factors influencing a decision to relocate and firms are expected to remain cost conscious into the future which is expected to hinder downtown Toronto's competitive position in the office market.

Office tenants are going to continue to look for location opportunities which provide access to high-order transit and more urban-type environments. The competitiveness of the 905 area in offering these types of locations is expected to improve with time. York Region's Viva Transitway has strengthened the competitiveness of the Highway 7 corridor for office development in the Markham and Richmond Hill area by providing needed high-order public transit access. This will strengthen the competitiveness of key office employment areas in the area. Further, a number of York Region's Centres and Corridors, including Markham Centre, Vaughan Metropolitan Centre (with the new Spadina subway extension) and the Highway 7 East corridor, are becoming increasingly competitive and are expected to capture a greater share of G.T.A. office development over the coming decade.

In the coming decade, York Region is expected to be most competitive in the office market in accommodating the professional, scientific and technical services and finance and insurance sectors, and catering to smaller scale tenants and back-office functions. Though the Region will still attract a certain share of larger-scale head office tenants, the demand will be largely oriented to single-occupant, multi-function facilities (e.g. distribution/training centres) as opposed to solely a corporate office presence. As office tenants continue to be cost conscious, York Region's competitive office market rents will remain a strong advantage moving forward but will be more challenged in competing with downtown Toronto for premium office space demand by large-scale tenants.

Conclusions

Office commercial development is critical to the development of York Region's economy and long term future. Though the G.T.A. office market continues to expand at a strong rate, York Region competes directly for suburban and urban type office development with other locations in the G.T.A. Historically, York Region has been relatively successful at attracting and accommodating office development largely in suburban employment areas.

The comprehensive assessment of office development cost and financial feasibility determined that market conditions and the corresponding financially viability for suburban office development are favourable in most York Region locations though high land prices limited the potential for smaller office buildings in Markham, Richmond Hill and Vaughan.

Despite York Region's relative competitiveness in the suburban office market, office development patterns in the G.T.A. have shifted significantly over the past 15 years, with an increasing share of development occurring within Toronto's downtown core and York Region's relative share of office development has diminished over the period.

This shift appears to be driven by an increasing interest in the G.T.A. for more pedestrian-oriented office environments that feature mixed-use development and offer opportunities for live/work and greater access to high-order transit. This suggests that "905" municipalities, including York Region, need to make an increased effort to increase opportunities to accommodate office development in mixed-use settings that offer access to high-order transit and live/work opportunities in their respective communities to attract "knowledge-based" skilled labour force to reside in their communities and attract "knowledge-based" employers to their communities. As such, there will be an increasing need over the longer term to expand market choice for office development beyond greenfield lands in employment areas to include opportunities within the Region's Centres and Corridors.

York Region is anticipated to experience significant employment growth between 2011 and 2041 and a large share of this will be in the form of major office employment. Provincial and regional policy planning direction has identified the need to intensify development within key nodes and corridors in the Region and major office employment growth should be focused within Centres and Corridors to optimize infrastructure investment and promote transit use. The demand for office space in the G.T.A. is expected to continue and York Region is well positioned geographically to take advantage of this regional growth potential.

Though there is a desire from a policy perspective to attract an increasing share of office development to the Region's Centres and Corridors to meet planning, economic and fiscal objectives and an apparent growing market demand for more urban office development, recent development trends suggest that to-date, office development activity in York Region remains largely focused on suburban office development within employment areas. The Region has seen some success in residential development in its Centres and Corridors, office development has been more limited.

The analysis contained herein suggests that market conditions for urban office development as standalone projects are largely unfavourable in York Region's Centres and Corridors and other surveyed areas of the G.T.A. due in part to high costs of development (driven by high land costs and the provision for structured parking) which are only partially offset by higher land utilization and market rents/sale prices which have marginal premium compared to office space in suburban office markets. The analysis suggests that an urban office development project needs to be part of a mixed-use development (i.e. combined with a retail/residential component) in order to be economically viable in these markets. Though there are a handful of recent or planned office developments within the Region's Centres and Corridors, they represent a relatively small share of overall office development activity in the Region.

The policy tools/financial incentives presented herein suggest a number of initiatives could be implemented in York Region to improve the financially viability and attractiveness of office development within the Region's Centres and Corridors. Achieving an increasing amount of office development in the Region's Centres and Corridors poses a challenge for the Region. Optimizing the market potential for office development in the Region's Centres and Corridors will largely be determined on a regional and local level, requiring a "Made in York Region" approach.

Given the extent and diversity of the office and mixed-use development opportunities identified within the Region's Centres and Corridors and the economic challenges of urban office development in these areas, York Region needs to prioritize its efforts to encourage and promote this office development where the potential is highest. This includes ensuring that planning policies and regulations are supportive of intensification initiatives and the office objectives of the region. This includes implementing pre-zoning, allowing for flexibility and height of developments, promoting mixed-use developments (which include office component) within the Regional Centres and Corridors and generally increasing expediency of development approvals.

Further, a range of financial incentive tools/programs could be used as a means to facilitate and encourage office and mixed-use development within the Region's Centres and Corridors, such as development charge exemptions, redevelopment or rehabilitation grant programs, redevelopment loan programs, and or the rebate of planning and building application fees. However, the Region should be strategic in their use, in terms of where these are applied and where fiscally sustainable. Based on the analysis presented herein, the relative strength of office market in the Region's Centres and Corridors varies widely. It is anticipated that demand for office space within the Centres and Corridors will continue to increase over the coming decades and the market conditions for urban office development in these areas will become more favourable with time. Considering baseline conditions and future prospects, the office market in Markham Centre and Vaughan Metropolitan Centre are likely strong enough to be successful without the need for financial incentives. Financial incentives may be options in Richmond Hill Centre, Yonge Street Thornhill and Highway 7 East (west of Markham Centre) to advance urban office development over the short to medium term, though over the longer term, the market should be sufficiently strong to not require such measures. Over the short to medium term, prospects for urban office development along Highway 7 West, Yonge Street Richmond Hill and Highway 7 East (East of Markham Centre), Yonge Street in Newmarket) and Davis Drive are limited and these areas will continue to be more attractive for low-rise office buildings with surface parking, consistent with their existing character. It is unlikely that financial incentives will have much impact on prospects for urban office development along these corridors but could be useful in facilitating further suburban office development. Over the longer term, as the Region matures and begins to buildout, the prospects for urban office development in these corridors will likely improve, and incentives applicable for urban office development may be more appropriate at that point.

To take full advantage of the potential for office development in its Centres and Corridors, York Region will need to focus on activities that build awareness and support local growth while also continuing to enhance the basic offering in York Region through an Action Plan. The Action Plan reflects York Region's continued efforts to grow the commercial office cluster alongside its local municipal partners and the local development community.

Marketing Centres and Corridors
Office Attraction Work Plan

Purpose

Establish and oversee delivery of a Marketing and Communications Plan for office attraction in Centres and Corridors

Scope

- Development of a coordinated Regional messaging and communications plan by all departments around office attraction for Centres and Corridors
- Engagement/understanding of other stakeholder messaging and communications and coordination where possible and practical

Outcomes

1. A marketing and communications plan including a set of coordinated marketing messages and targeted media, tools, tactics and initiatives for delivery over 2015 and 2016.
2. Increased awareness of office development opportunities in Centres and Corridors.
3. Influence over demand-side decisions by office users.
4. Achievement of development targets for office space in Centres and Corridors

Activities

Local EDO/Planner Session – early engagement of municipal representatives around plan development and identification of potential areas of common messaging and collaboration

Stakeholder Sessions – third party facilitated sessions with developers, real estate brokers, and the business community to identify current activities, identify potential areas of common messaging and collaboration, and identify target audiences. Results compiled as input to plan, messaging and tool development.

Plan, Message and Tool Development – identification of delivery partners and target audiences, and development of messaging, delivery tools and tactics including performance metrics

Program Delivery and Monitoring – plan implementation with measurement of activities and monitoring of direct and indirect influence on economic activity within Centres and Corridors

Project Timeline

Milestones	Duration							
	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16
Draft Project Charter and Consultation Outline								
Local EDO/Planner Session								
Report to Committee of the Whole - Launch		*						
Stakeholder Session 1 – Developers		*						
Stakeholder Session 2 – Brokers		*						
Stakeholder Session 3 – Business, Others		*						
Plan, Message and Tool Development								
Report to Committee of the Whole				*				
Program Delivery and Monitoring								
Report to Committee of the Whole								*

York Region Office Attraction Review

Presentation to

Committee of the Whole

Doug Lindeblom

April 9, 2015

York Region

Outline

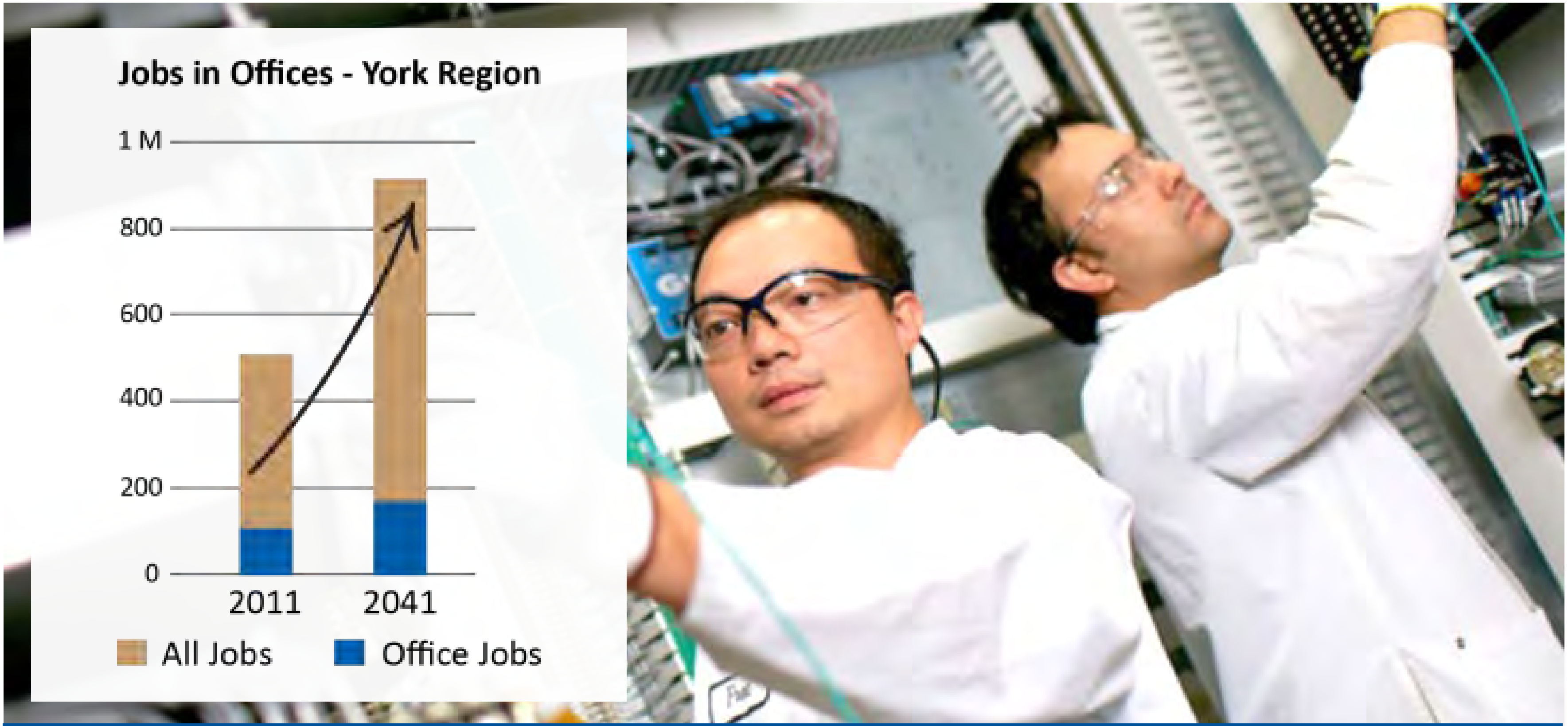
- Importance of Office Development
- Drivers of Office Demand
- York Region Office Market Today
- York Region's Competitive Position
- Attracting Office Development/Jobs
- Next Steps



Council Direction Regarding Office Development and Employment

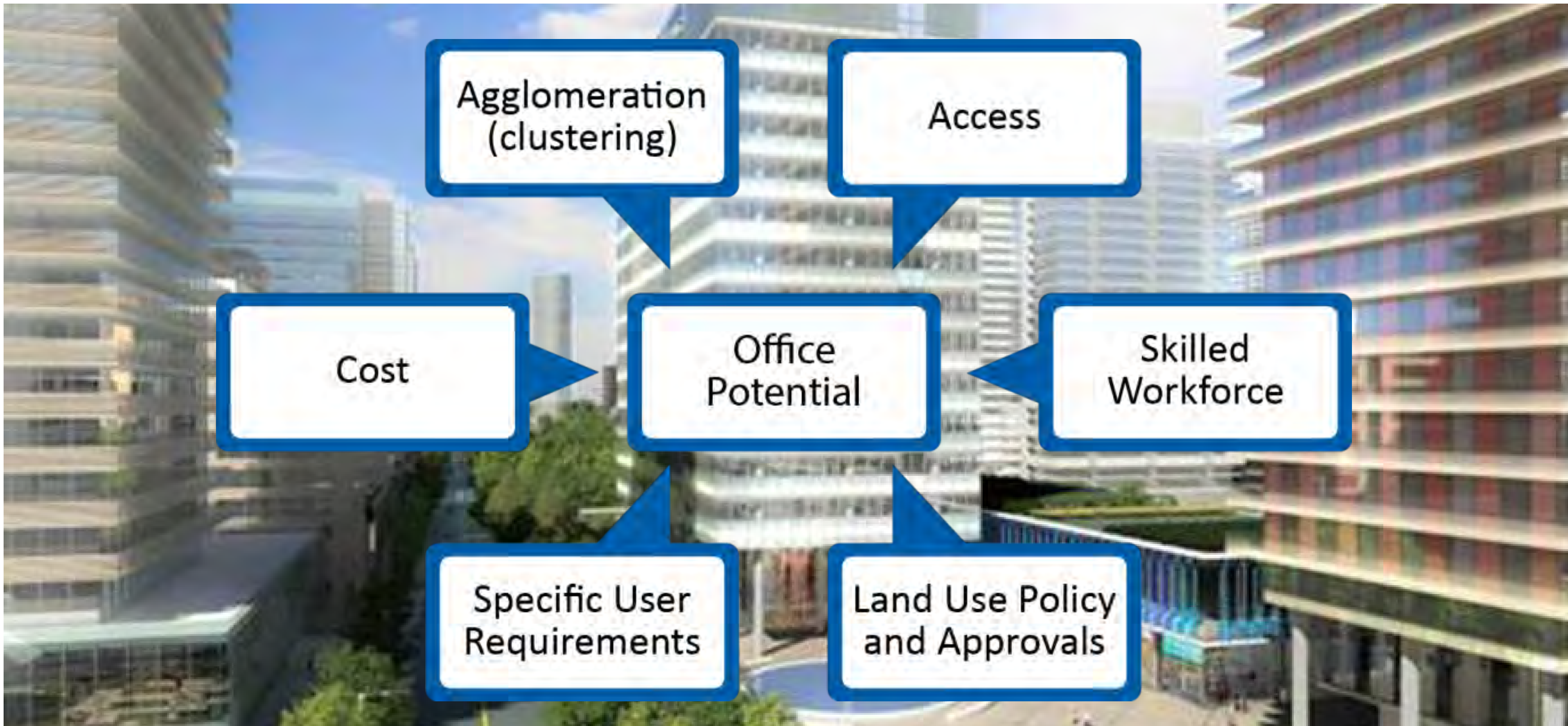
A number of Regional plans support economic vitality and job growth

Office Development is Important to the Region's Economy



Office development accommodates high quality jobs the Region is looking to attract and retain

Factors Affecting Office Location Decisions



There are numerous factors affecting office market potential

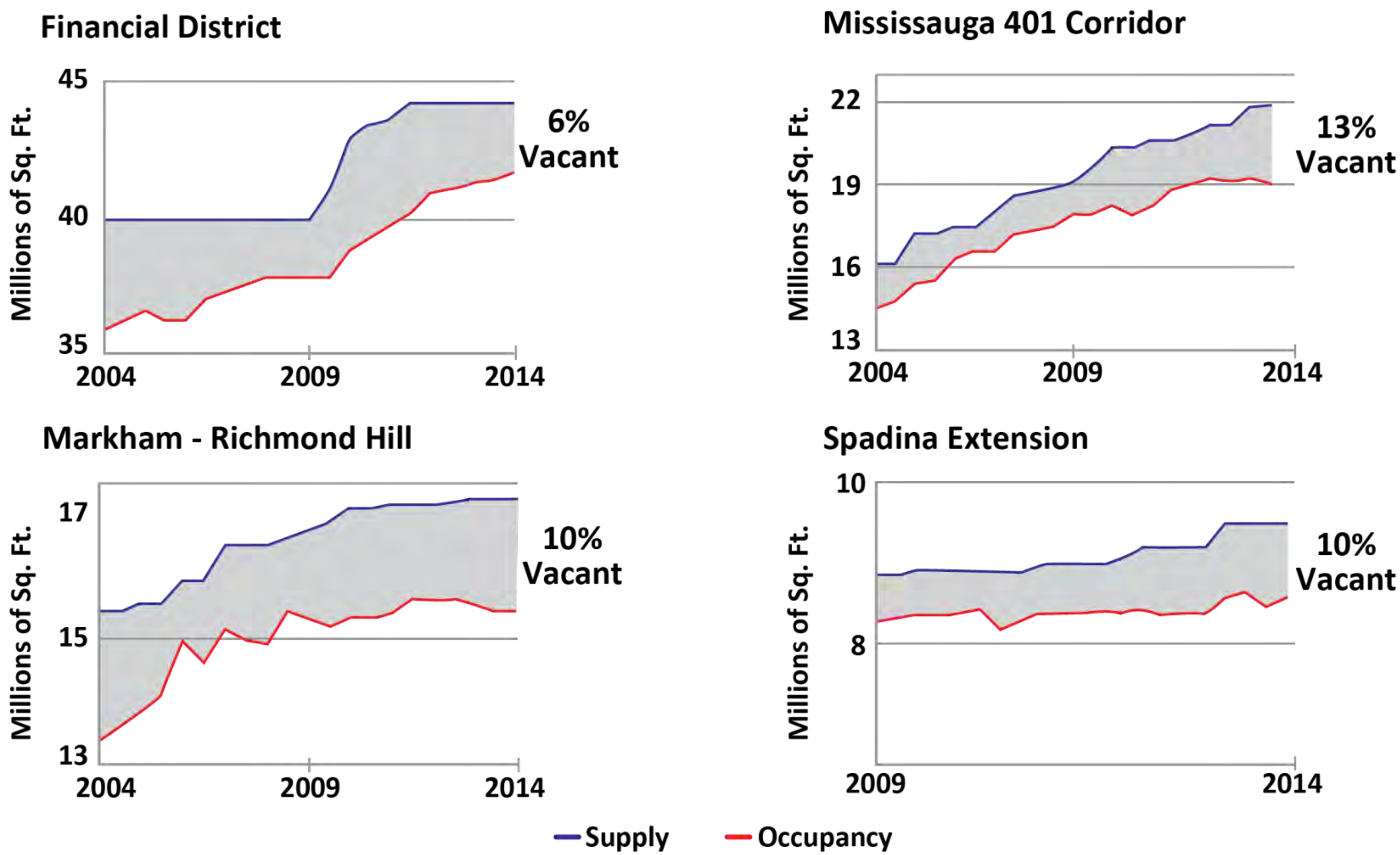
Source: Watson and Associates Inc., March 2015; Strategic Regional Research Associates, 2014

What Office Employees Want

York Region is developing a critical mass of accessible, attractive locations for future office workers and employers

Source: Watson and Associates Inc., March 2015; Strategic Regional Research Associates, 2014

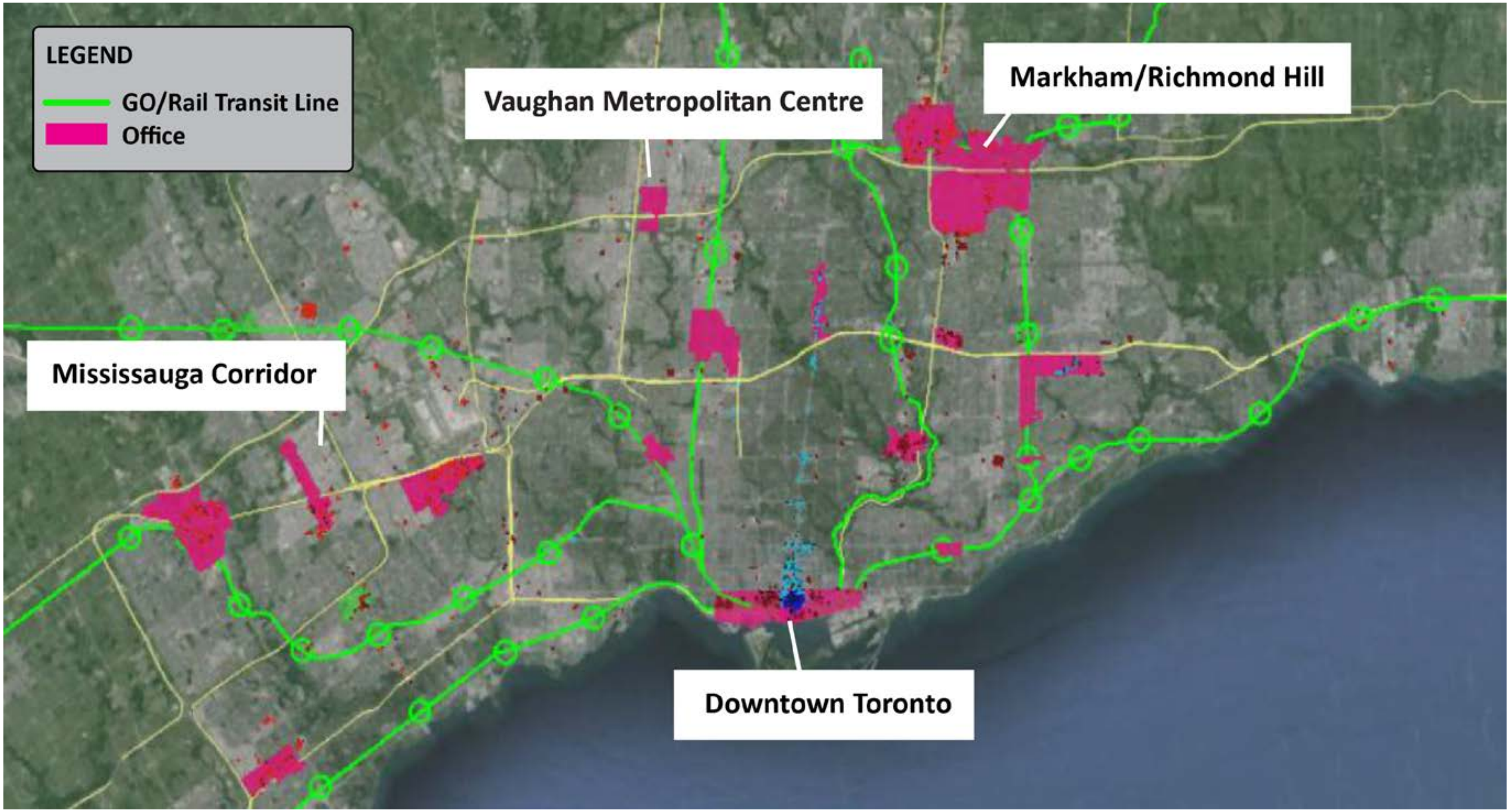
Office Supply is Driven by Demand



The Region proactively monitors the market to be able to respond to opportunities

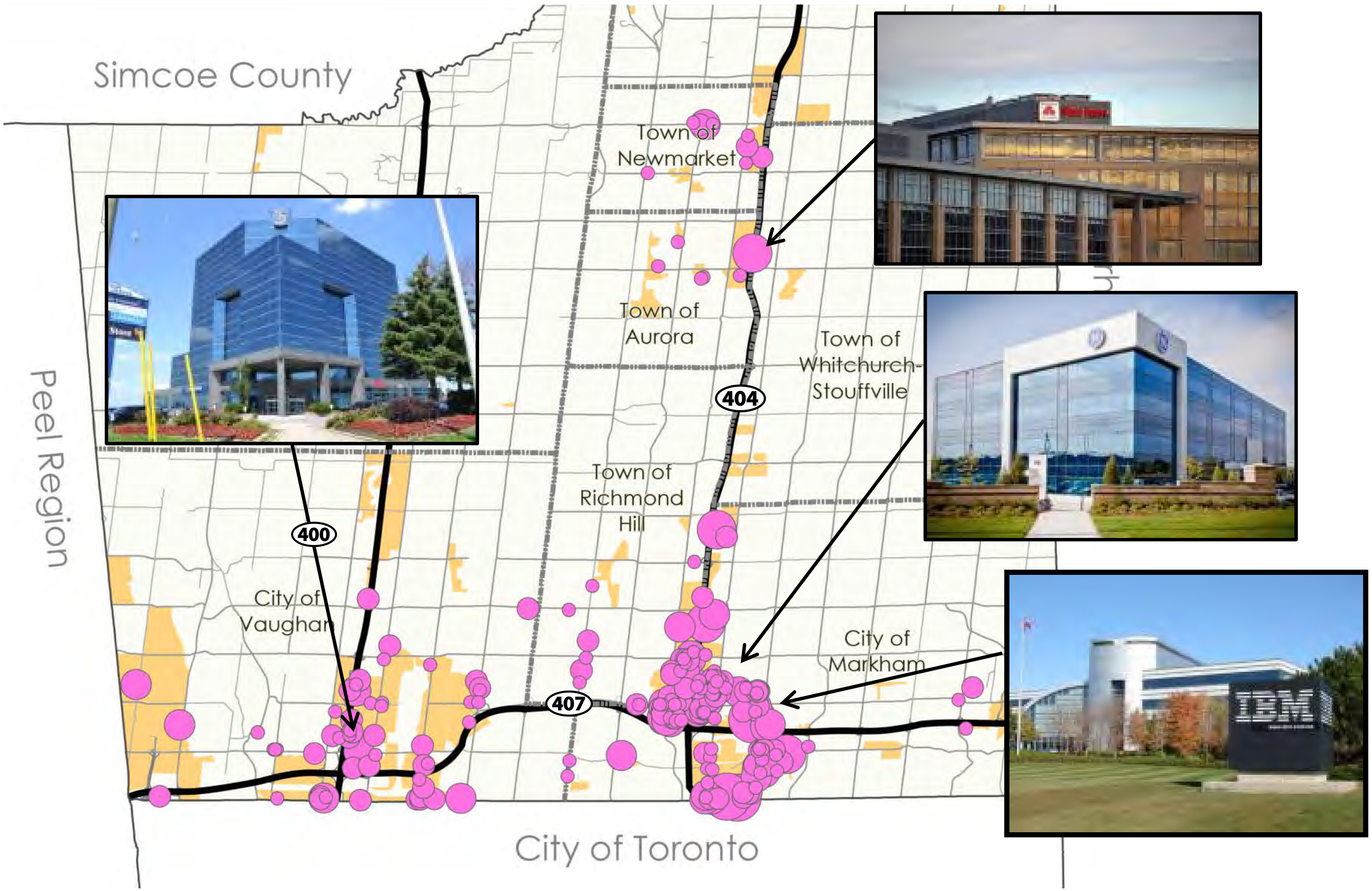
Source: Strategic Regional Research Associates, 2014

The GTA Office Market Context



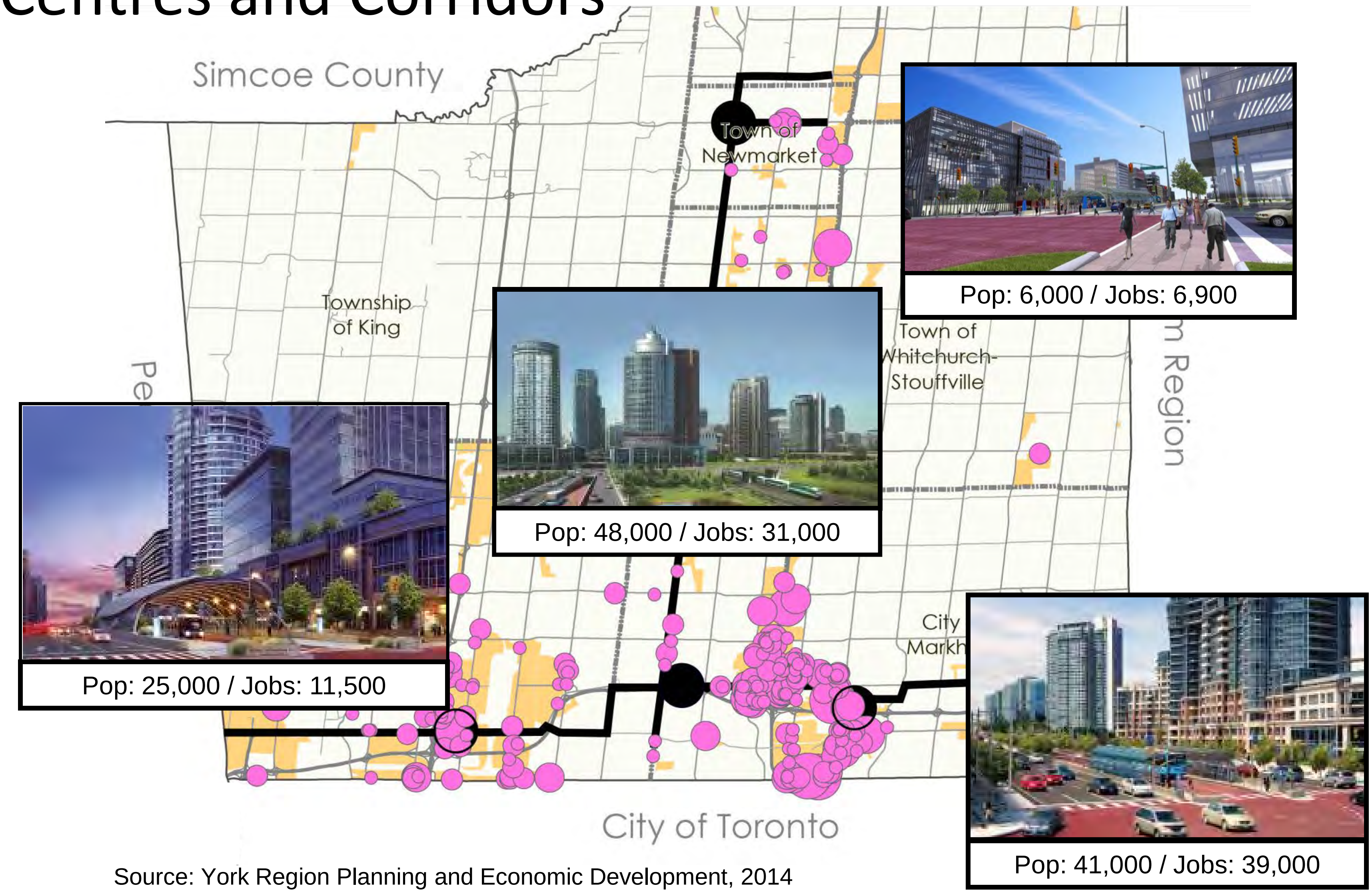
Source: Strategic Regional Research Associates, 2014

Historic Office Growth has focused in Employment Areas Along 400-Series Highways



Source: York Region Planning and Economic Development, 2014

Future Office Growth is Planned to Focus in Centres and Corridors



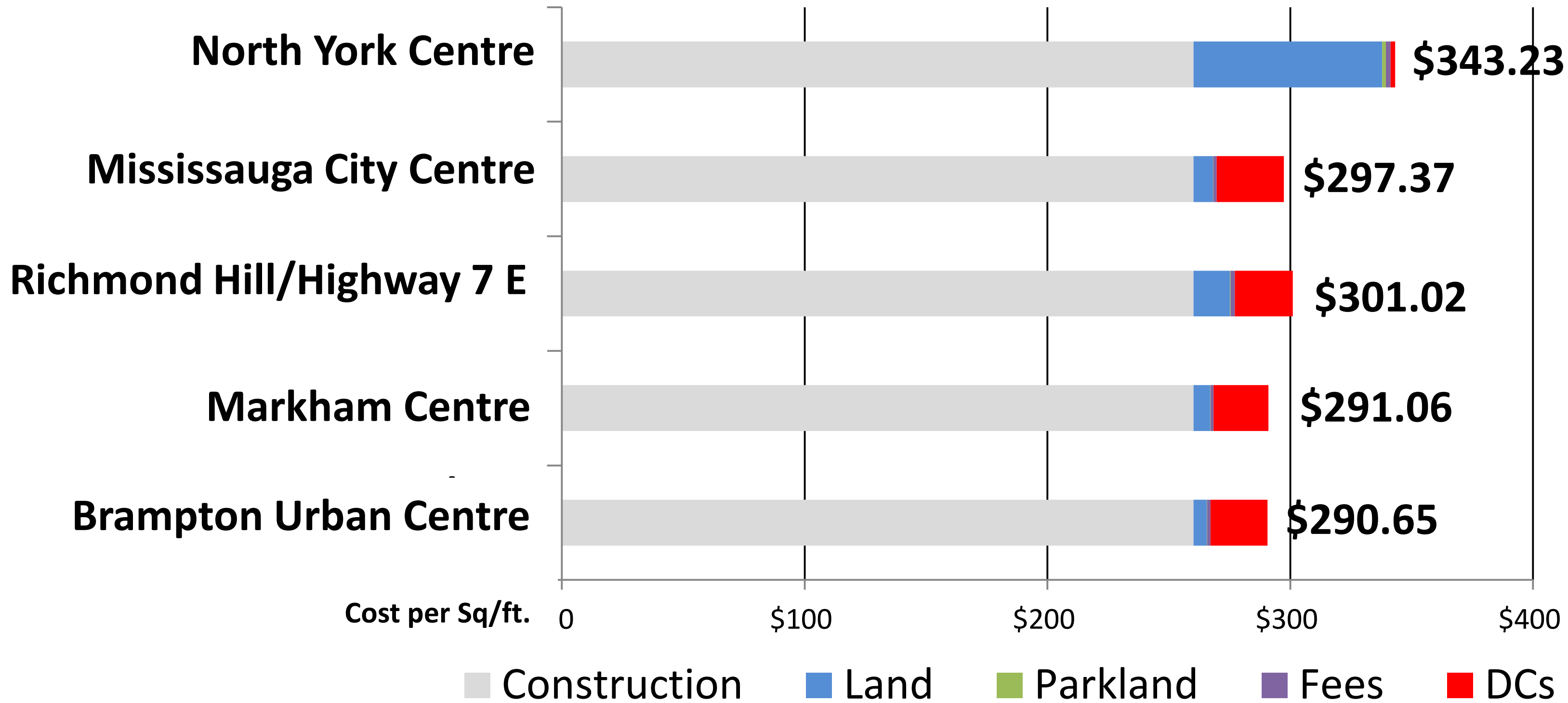
Source: York Region Planning and Economic Development, 2014

York Region is on the Right Track

Attracting Office	**What we've done**
Office Supportive Policy	✓
Investment in Infrastructure	✓
Promoting Live-Work mix of uses	✓
Promoting university campus in Downtown Markham	✓

Regional Council has been diligent in laying the ground work to ensure economic success

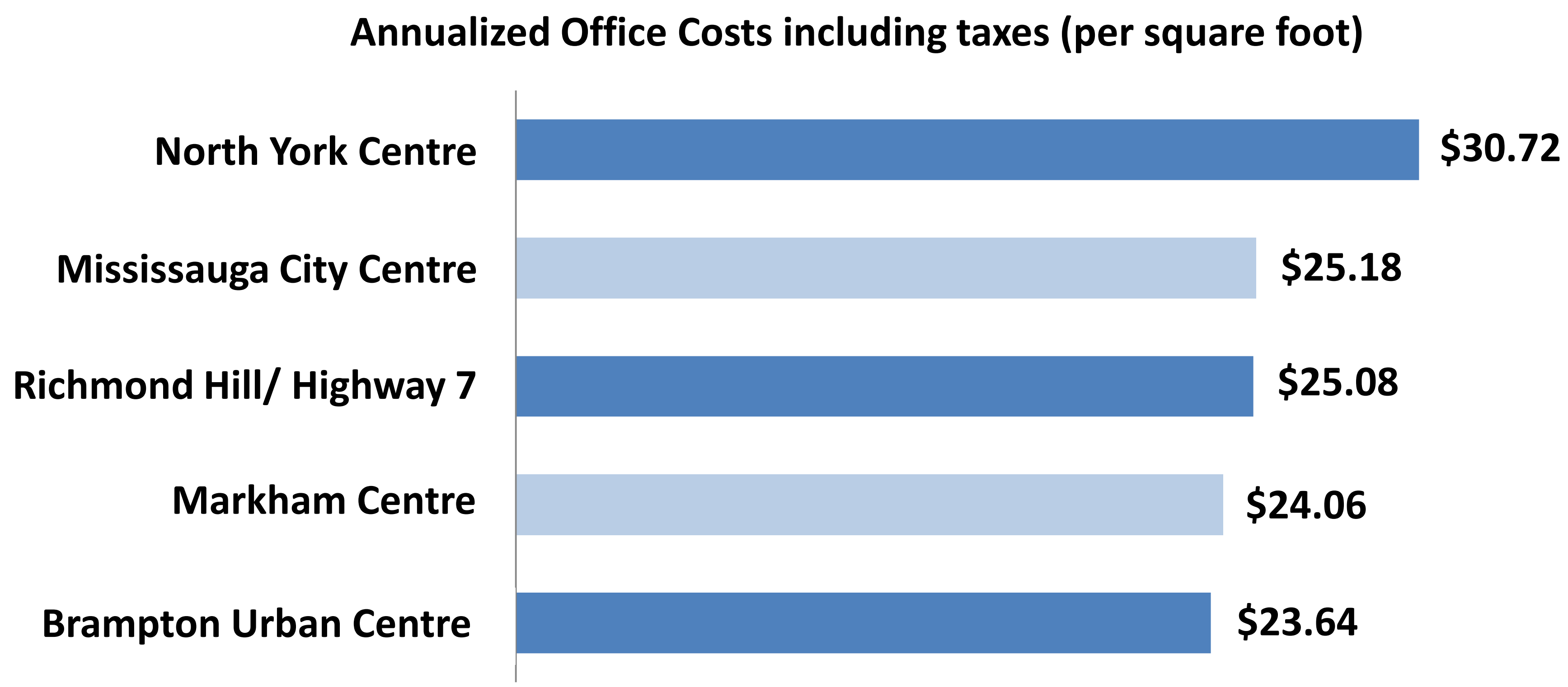
Comparative GTA Office Development Costs Per Square Foot



Municipal charges are a small component of overall development costs

Source: Watson & Associates Inc., March 2015

Comparative GTA Pro forma Analysis



The analysis shows York Region is competitive within the GTA office market

Source: Watson & Associates Inc., March 2015

Financial Incentives Have Limited Effect on Where Office Users Locate

A continuing focus on city building and infrastructure investments creates locations where office users want to locate

Source: Watson & Associates Inc., March, 2015; Strategic Regional Research Associates, 2014

Future Opportunities

Opportunities Going Forward	What we will do
Official Plan Review	Refine office supportive policies
Continue Investment in Infrastructure	Build cities
Communication and Marketing (creating awareness)	Get the message out

Opportunities remain to advance York Region's ability to attract office employers

Summary

- The Region is well-positioned to attract office growth due to:
  - A strong business base and key growth clusters
  - A variety of urban and business park locations
  - Supportive policies
  - Significant and on-going infrastructure investment
  - A compelling marketing story to tell

Recommendations

- Council receive the York Region Office Space Financial/Market Analysis and Marketing Plan Study.
- The proposed Work Plan for the Development of an Office Attraction Marketing and Communications Plan be endorsed.
- This report and the York Region Office Space Financial/Market Analysis and Marketing Plan Study be circulated by the Regional Clerk to the local municipalities in the Region.

Communication #1

VAUGHAN

April 8, 2015

Mr. Denis Kelly
Regional Clerk
Regional Corporate Services Department
Administrative Centre
17250 Yonge Street, 4th Floor
Newmarket, Ontario
L3Y 6Z1

Dear Mr. Kelly:

The City of Vaughan wishes to advise that preliminary work to develop criteria for a Community Improvement Plan (CIP) for the Vaughan Metropolitan Centre and other intensifications areas has begun. In order to move forward with a Community Improvement Plan, the City of Vaughan has retained Hemson Consulting Ltd. and Urban Strategies Inc. to carry out a study on how the City can develop and implement a CIP. The attached memorandum serves to provide you with an outline of the work that has been completed to date on the City of Vaughan's CIP study, and to seek participation from York Region through a similar CIP framework.

I would like to encourage you to consider the information in the attached memorandum as part of your deliberations on improving the competitiveness of office markets within the Region's Centres and Corridors.

Sincerely,

Jennifer Ladouceur
Director of Economic Development

Attachment

C Barbara Cribbett, Interim City Manager
Tim Simmonds, Executive Director, Office of the City Manager
John Henry, Commissioner of Finance & City Treasurer
John MacKenzie, Commissioner of Planning
Paul Jankowski, Commissioner of Engineering & Public Works

HEMSON
Consulting Ltd.

30 St. Patrick Street, Suite 1000, Toronto, Ontario, Canada M5T 3A3
Facsimile (416) 595-7144 Telephone (416) 593-5090
e-mail: hemson@hemson.com

MEMORANDUM

To: City of Vaughan:
Mr. Tim Simmonds, Executive Director
Ms. Jennifer Ladouceur, Director of Economic Development
Mr. Lloyd Noronha, Director, Development Finance & Investments

From: John Hughes and Jason Bevan, Hemson Consulting Ltd.
Pino DiMascio and Mirej Vasic, Urban Strategies Inc.

Date: April 7, 2015

Re: Regional Participation in Office-focused Community Improvement Plan

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Starting in 2014 the City of Vaughan began work on developing criteria for a Community Improvement Plan (CIP) focused on attracting major office development in the Vaughan Metropolitan Centre (VMC) and select intensification areas. Hemson Consulting Ltd. and Urban Strategies Inc. were retained to build on the City's draft CIP framework, conduct stakeholder consultation and to prepare the formal documentation required under provincial legislation. Through the course of work already undertaken as part of this study, it is clear Regional participation through a similar CIP framework would make the program more robust and improve the likelihood of attracting more major office uses to the VMC in the short-term.

A. WHY ADOPT A CIP PROGRAM?

Adopting a CIP Program would play an important role in fulfilling the objectives of the York Region Official Plan for its Regional Centres. The York Region Official Plan states that Regional Centres, such as the VMC, should develop into downtowns with the highest concentration and greatest mix of uses in the Region, and a range of employment and housing opportunities oriented towards rapid transit hubs.

According to Section 5.4.20, this diverse mix of uses will create vibrant and complete communities for living, working, shopping and entertainment within the Regional Centre.

It is well understood the Region must balance any short-term revenue losses resulting from incentives, however, if office incentives were ever to be considered for an area of the Region, the VMC may be the most appropriate location. A few of the numerous Regional and Provincial objectives achieved by attracting offices uses to the VMC include:

- Successful urban areas often contain a cluster of major office buildings, attracting several early adopters at the outset will likely in-itself act as an attractant for future development.
- Office employees are an essential component of transit ridership and can allow for two way peak period movement on the York-Spadina subway and VIVA transit lines.
- Advance the mixed-use nature of the VMC creating activity at all times of the day with residential, office and retail uses and high-quality amenities available within walking distance.

The objective for a mix of uses has not yet been achieved as the City has received applications for residential development in the order of 8,500 total units. Calloway REIT and Liberty Developments have planned office developments, but development applications for office uses have not occurred at a sufficient rate to match the residential interest.

Through consultation with stakeholders and a review of the Region's studies, two local financial factors have been identified which impede office development in the VMC. Firstly, VMC land values are comparatively high due to competition with existing uses and greater demand for new residential development. Secondly, the higher cost of structured parking development, water table issues and higher engineering and design costs associated with developing in urban, rather than suburban locations, must be overcome. Additionally, the City of Vaughan is starting with a less established major office base compared to Mississauga, Markham and North York, for example.

B. CITY'S PROPOSED CIP OFFICE PROGRAM IS DESIGNED TO ESTABLISH AN INITIAL BASE OF OFFICES IN THE VMC

The City faces many of the same financial challenges as the Region in that short-term revenue losses from CIP grants or discounts will have to be recovered through other sources. This is why the City has focused its program on attracting early adopters with program cessation when the identified goals of the CIP have been achieved. Key highlights of the City's proposed program for major offices are shown below:

1. Administration

- Major offices are defined as developments with over 100,000 square feet (9,290 square metres) of gross floor area.
- The incentives would be limited to five years or the first 1.5 million square feet (139,400 square metres) of major office development to qualify under the CIP, whichever comes sooner.
- The incentives would also apply retroactively to eligible developments with building permits issued on or after January 1, 2014.

2. Tax Increment Equivalent Grants (TIEG)

A sampling of recently constructed offices in York Region and North York was used to estimate a value of $319.5 million in new assessment associated with 1.5 million square feet of gross floor area (the City's cap). The TIEG would start with a 70 per cent grant for the first year declining proportionally over a ten-year period:

Year	1	2	3	4	5	6	7	8	9	10	10-Year
Grant Amount	70%	63%	56%	49%	42%	35%	28%	21%	14%	7%	**39%**
Net Taxes	30%	37%	44%	51%	58%	65%	72%	79%	86%	93%	**61%**
Grant Amount	$0.6M	$0.5M	$0.5M	$0.4M	$0.4M	$0.3M	$0.2M	$0.2M	$0.1M	$0.1M	**$3.3M**
Net Taxes	$0.3M	$0.3M	$0.4M	$0.4M	$0.5M	$0.6M	$0.6M	$0.7M	$0.7M	$0.8M	**$5.3M**
Total Taxes	$0.9M	$0.9M	$0.9M	$0.9M	$0.9M	$0.9M	$0.9M	$0.9M	$0.9M	$0.9M	**$8.7M**

Based on constant 2014 dollars, tax rates and assessment, the City's grant amount would total $3.3 million for the entirety of the program (based on a maximum of 1.5 million square feet of gross floor area).

3. Development Charges Grant/Reduction

It is proposed that the City-wide development charges rate be frozen at the August 2013 rate of $20.35 per square metre for a five year period.

Charge	Current Rate ($/sq. m)	CIP Reduced Rate ($/sq. m)	Reduction ($/sq. m)	Reduction (%)	Reduction ($2015)	Reduction Per Year Over 5 Years ($2015)
City-Wide Office DC	$53.04	$20.35	$32.69	62%	$4,556,000	$911,200

This reduction would lead to lost revenue of approximately $4.6 million.

4. Cash-in-Lieu of Parkland

For major offices a 100 per cent cash-in-lieu of parkland exemption would apply. For mixed-use developments, with every 750 sq. ft. of major office space developed, one unit of high density residential located on the same land parcel would be subject to a reduced rate of $4,100 per unit compared to the current rate of $8,500 per unit.

5. Parking Requirements

It is proposed that major offices with at least two storeys of below grade parking would be allowed to have two storeys of podium, or above grade, parking with no effect on Section 37 contributions for increased height.

C. WHAT IF THE REGION WAS TO MIRROR THE CITY OF VAUGHAN'S POLICIES?

The likelihood of attracting major office development to the VMC in the short-term would undoubtedly improve if the Region (and Province) adopted similar CIP policies. Furthermore, stakeholders have also indicated the perception and marketing of the VMC as a viable office market would also improve through the CIP process.

While Parking and Parkland are City responsibilities, the governing legislation would permit the Region to adopt similar TIEG and development charges policies as the City. Using the City's assumptions, the estimated revenue losses that would be incurred by the Region, based on a similar program, are described below:

1. Tax Increment Equivalent Grants (TIEG)

The financial impact of a Regional TIEG for the VMC has been estimated using the same assumptions as the City's program. Based on 1.5 million square feet of office space and Regional tax rates, the grant amount would total $5.7 million for the entirety of the program in constant 2014 dollars. However, the Region would still recover a total of $9.1 million in net taxes after grants are deducted.

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**10-Year**
Grant Amount	70%	63%	56%	49%	42%	35%	28%	21%	14%	7%	**39%**
Net Taxes	30%	37%	44%	51%	58%	65%	72%	79%	86%	93%	**61%**
Grant Amount	$1.0M	$0.9M	$0.8M	$0.7M	$0.6M	$0.5M	$0.4M	$0.3M	$0.2M	$0.1M	**$5.7M**
Net Taxes	$0.4M	$0.6M	$0.7M	$0.8M	$0.9M	$1.0M	$1.1M	$1.2M	$1.3M	$1.4M	**$9.1M**
Total Taxes	$1.5M	$1.5M	$1.5M	$1.5M	$1.5M	$1.5M	$1.5M	$1.5M	$1.5M	$1.5M	**$14.9M**

Stated differently, within six years of an office building's construction, net taxes paid will exceed the grant amount issued.

2. Development Charges Grant/Reduction

Two approaches were used to estimate the impact of a Regional reduction to office development charges. If a commensurate percentage-based reduction (62 per cent) was to apply, it would result in lost revenue in the order of $18.1 million. Alternatively, the Region could match the City's quantum value deduction ($32.69) which would result in $4.6 million in lost revenue.

Approach	Current Rate ($/sq. m)	CIP Reduced Rate ($/sq. m)	Reduction ($/sq. m)	Reduction (%)	Reduction ($2015)	Reduction Per Year Over 5 Years ($2015)
Regional Office DC Based on % Reduction	$210.44	$80.74	$129.70	62%	$18,074,000	$3,614,800
Regional Office DC Based on Value Reduction	$210.44	$177.75	$32.69	16%	$4,556,000	$911,200

The percentage-based deduction would obviously have a greater impact on development decisions.

We trust the above is of assistance and we would be pleased to address any questions on the content of the memorandum.

APPENDIX E

SURVEY OF COMMUNITY IMPROVEMENT POLICIES

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
City of Toronto: City-wide Enacted in 2008, updated in 2012	• Imagination, Manufacturing, Innovation, Technology (IMIT) Financial Incentive Program • TIEG and Brownfield TIEG	**Sectors/Uses** • Biomedical • Call Centres • Computer Systems Design and Services • Convergence Centres • Creative Industries • Film Studio Complexes • Food and Beverage Wholesaling • Incubators • Information Services and Data Processing; • Manufacturing, provided the manufacturing operation occupies at least 35% of the GFA in a single use building or facility • Scientific Research and Development • Software Development • Tourism Attractions • Transformative Projects, subject to approval by City Council • Corporate Headquarters, in the Downtown • Any Corporate Office Building, in priority sector, outside downtown • Any Office Building, outside financial District, but on transit line • Green energy	• Office buildings must be over 5,000 square metres within 800 meters of a subway or LRT station • Corporate HQ only in Financial District • Film studios – City-wide • Development must conform to the Tier 1 requirements of the Toronto Green Standard • Development must increase the gross floor area for eligible uses by at least 500m2 • Value of development must be at least $1 million as evidenced on application and the main building permit • Council required to approve individual applications with greater than $150 million in construction value • The applicant or user of the property must agree to collaborate with the City to promote local employment • Live/work units are not eligible • *Industrial/commercial condominiums are not eligible and must be considered independently*	• 60% over 10 years (non brownfield) for offices and other uses • 70% over 10 years (non brownfield) for Employment Districts and Areas • 67% over 12 years (with brownfield) for offices and other uses • 77% over 12 years (with brownfield) for Employment Districts and Areas	• No expiry date, review every four years	• $800 million in new construction investment, over 3.8 million square feet of new or renovated commercial/industrial space and nearly 13,000 new and retained jobs were realized or will be realized from the applications approved from 2008-2012	• Toronto has argued incentives are necessary to offset higher property tax rates in the short term
	• Development Charges Exemptions	• Industrial: 100% exempt • Offices and retail: All GFA over first floor exempt	• Industrial: 100% exempt • Offices and retail: All GFA over first floor exempt		• By-law reviewed at least every five years		• Toronto has argued incentives are necessary to offset higher property tax rates in the short term

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
City of Toronto: Toronto Waterfront Enacted in 2008, updated in 2012	• TIEG and Brownfield TIEG for East Bayfront, West Don Lands and Port Lands	**Sectors/Uses** • Biomedical • Business and financial services • Colleges • Computer Systems Design and Services • Convergence Centres for eligible uses as applicable to the Focus Area • Creative Industries • Incubators • Information Services and Data Processing • Offices • Scientific Research and Development • Software Development • Tourism Attractions • Film Studio Complexes (Port Lands only) • Manufacturing for other eligible uses, providing the manufacturing operation occupies at least 35% of the GFA (Port Lands only) • Green energy	• Business and financial services, Colleges, Office Buildings and Tourism attractions not eligible in Port Lands • Development must conform to the Tier 1 requirements of the Toronto Green Standard • Development must increase the gross floor area for eligible uses by at least 500m2 • Value of development must be at least $1 million as evidenced on application and the main building permit • Council required to approve individual applications with greater than $150 million in construction value • The applicant or user of the property must agree to collaborate with the City to promote local employment • Live/work units are not eligible • *Industrial/commercial condominiums are not eligible and must be considered independently*	• 60% over 10 years (non brownfield) • 67% over 12 years (with brownfield)	• No expiry date, review every four years	•	•
City of Toronto: South of Eastern Ave updated in 2012	• TIEG and Brownfield TIEG for area south of Eastern Avenue	**Sectors/Uses** • Biomedical • Call Centres • Computer Systems Design and Services; • Convergence Centres for eligible uses listed in this section • Creative industries • Film Studio Complexes • Food and Beverage Wholesaling; • Incubators; • Information Services and Data Processing • Manufacturing, provided the manufacturing operation occupies at least 35% of the GFA in a single use building or facility • Offices • Scientific Research and Development • Software Development • Green Energy	• Development must conform to the Tier 1 requirements of the Toronto Green Standard • Development must increase the gross floor area for eligible uses by at least 500m2 • Value of development must be at least $1 million as evidenced on application and the main building permit • Council required to approve individual applications with greater than $150 million in construction value • The applicant or user of the property must agree to collaborate with the City to promote local employment • Live/work units are not eligible • *Industrial/commercial condominiums are not eligible and must be considered independently*	• 70% over 10 years (non brownfield) for Employment Districts and Areas • 77% over 12 years (with brownfield) for Employment Districts and Areas	• No expiry date, review every four years	•	•

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Richmond Hill: CIP Not Completed Office Incentives Study Completed December 2013 that recommended a CIP framework to encourage office development	• Proposed TIEG incentive	• Specific uses have not yet been identified but generally: o Traditional Office Buildings o Transition of industrial buildings to office uses o Other uses as determined through the CIP	• Office incentives study recommended a threshold of 1,500 sq.m (16,000 sq.ft.) for office development	• Incentive amount was not confirmed in report • Examples provided 55% over 10 years	• Unknown	•	• Other recommendations in the report included loans and planning fee rebates • Discussions with Staff and through consultation indicated that these would not be appropriate programs to implement in Richmond Hill • CIP will likely be completed in the next few years
Region of Waterloo: City-Wide Adopted 2013	• Joint Tax Increment Grant Program Brownfield (TIG)	• Specific uses not identified but Brownfield defined as: *"A property which contained environmental contamination either in the ground or buildings due to the operational activities of a previous land use, where the extent of the contamination rendered the property vacant, under-utilized, unsafe, unproductive or abandoned, and for which a Record of Site Condition has been filed."* **Eligible Costs** • Phase 1,2,3 Site Assessments • Indirect remediation costs (maximum of 10% of eligible brownfield costs) including planning fees, legal costs, financing costs (remediation, insurance, assessment estimates etc.) • Environmental remediation work	• Property must relate to Brownfield remediation • Applicant/ owner cannot be responsible for causing on-site contamination that requires remediation • Must result in a property reassessment value of at least $100,000 • Phase 1 and 2 ESA must be completed by a qualified person • Application made prior to issuance of building permit		• September 2018 • The City and/or Region may discontinue the TIG program at any time	• Monitoring to occur every 2 years – City to provide council with program status report	• Same application as the Kitchener Tax Grants
Newmarket: Historic Downtown CIP Adopted 2001 New CIP will be reviewed in upcoming years	• Reality Tax Grant Improvement Properties (TIEG)	• Uses not specified, available to any properties located within the downtown which implement improvements through development or redevelopment (residential and non-residential uses)	• Work must result in an increase in property assessment	• 55% over 10 year period	• Grant duration is based on funding provided by Council	•	• Town has never used this incentive due to budget limitations

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Newmarket: Historic Downtown CIP Adopted 2001 New CIP will be reviewed in upcoming years	• Development Charge Equivalent Rebate/ Credit Program	**Eligible Projects** • New construction • Building preservation • Restoration of heritage buildings • Residential intensification	•	• Amount of grant is determine on a project-by-project basis	• Grant program will cease when total payments reach the maximum amount permitted or if Council terminates the Financial Incentives Program	•	• Currently the Town offers deferral payments for DCs to assist with cash flow considerations • The Town has indicated that Regional participation is very important for its success, if the Region will consider to participate in the future then the work • Town has indicated that incentives from the Region are critical, but have not been received to date
	• Parking Requirement Program	• Uses not specified, available to any properties located within the downtown which implement improvements through development or redevelopment (residential and non-residential uses)	• Must be related to redevelopment or development • Only applies if applications are unable to meet the Town's parking requirements	•	• Grant program will cease when total payments reach the maximum amount permitted or if Council terminates the Financial Incentives Program	•	•
	• Parkland Dedication Exemption Program	• Uses not specified, available to any properties located within the downtown which promote new construction, restoration and stimulate residential intensification (residential and non-residential uses)	• All properties in the Downtown are eligible	• Partial, full or sliding waiver is applied based on the scope of project or total number of residential units proposed	• Grant program will cease when total payments reach the maximum amount permitted or if Council terminates the Financial Incentives Program	•	• The CIP area currently contains an extensive amount of parkland which allows for partial or full waiver of parkland requirements • This incentive has yet to be used due to limitations with the budget
Whitchurch-Stouffville: Downtown CIP Adopted 2009	• Downtown Incentives Program (TEIG)	• Uses not specified, applicable to any sites related to redevelopment/rehabilitation	• Application required • Business Plan • Professional Drawings may be required to ensure conformity with the Official Plan and Zoning By-law requirements	• 80% of the increase in property taxes incurred in Year 1 – exact terms of the grant are established through an agreement with the Town	• Council determines if the CIP programs should be funded on an annual basis	•	• In 2014 Council allocated $50,000 to fund projects related to the program
	• Downtown Incentives Program: Reduction or Elimination of Parkland Dedication Fees	• Uses not specified, applicable to any sites related to redevelopment/rehabilitation within the CIP area	• Amount of reduction/ elimination is determined through pre-consultation with the Town	•	•	•	•

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Brampton: Central Area Created in 2007, consolidated in 2013	• Tax Increment Based Program (not currently used – requires implementation guidelines) (TIEG)	• Projects that promote intensification through the development of commercial and residential land • Encourage office/commercial employment opportunities	• Subject to implementation guidelines not yet developed	• Subject to implementation guidelines not yet developed	•	•	• Program is to be considered as an alternative to the DC Grant Program to be implemented in conjunction with its revision or termination
	• Development Charge Incentive Program (May, 2014)	• **Downtown Brampton:** Office, entertainment, medium and medium-density residential and mixed use retail/commercial/ office and hotel uses • **Queen Street:** office, entertainment, high density residential and mixed-use retail/commercial/office and hotel uses	• Applies to new developments, expansions, additions or conversions to existing buildings • Related to Central Area Mixed Use and Medium High/ High Density Residential o Office uses must have a minimum building height of 3 storeys **Criteria Scoring** • Location – 150m from major intermodal transit or major nodes • Preferred Type of Development – mixed use, active uses at grade, property frontage on major street, residential component a condominium • High Quality Physical Environment – design policies, high order of architectural quality • Community Benefit – restore heritage building, incorporate public realm improvements • Sustainability – LEED standards, green roofs, energy-savings	• 50% if all of the eligibility requirements are met • Additional 50% can be earned if other criteria are met relating to the Central Area Vision (related to the criteria scoring)	• Expiry of the program was removed during the last CIP • Projects approved for DCG must have a building permit within 6 months from site plan approval	• Monitoring program allows for tracking and providing reports to council (must be provided annually at a minimum basis)	• Additional eligibility criteria (for additional 50% reduction of DCs) is based on scoring sheet with factors being weighted differently • Implementation guidelines are updated periodically to ensure that the goals of the program can be achieved
	• Cash-in Lieu Parking (not currently used but implemented through the Downtown Parking Incentive Program & ZBL provisions)	• Development in the Downtown Core	• Must be located within an area that provides transit	•	•	•	• Councils practice has been to provide exemptions to minimum parking requirements for commercial development (development in this area is currently exempt from the cash-in-lieu requirement) • CIL of parking incentive has been noted as a program which could be beneficial to the City but not formally implemented
	• Cash-in Lieu Parkland (pilot project implemented from 2004-2006 was not reinstated)	• Residential projects located within the Central Area	• Requires minimum density targets to be achieved	• 50% reduction to the payable CIL requirement	• Pilot project for two years, was not reinstated after 2006	•	• The City's parkland dedication By-law was revamped in 2013 • New limits include that CIL shall not exceed the greater of 10% of the values of the lands or $3,500 per residential unit

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Hamilton: Downtown, Community Downtowns, BIAs Dated unknown, updated 2014	• Tax Increment Grant Program (TIEG)	• No specified uses but includes the redevelopment or renovation of residential and non-residential lands	• Must comply with the objectives found in the Downtown and Community Renewal CIP • Comply with OP policies, and other zoning and planning policies	• 30% over 5 years	•	•	• The program is not applicable to certain facilities (e.g Adult Entertainment Parlour, Correction Facility, Emergency Shelter, Lodging House)
Hamilton: City-Wide First established in 2001, updated March 2010	• ERASE Tax Assistance Program (TAP) and ERASE Redevelopment Grant Program (RGP) - Brownfield TIEG	**Eligible Uses/ Program Costs** • Must be related to the development or redevelopment of land located on a Brownfield site • Eligible program costs include environment remediation, risk assessment, LEED program requirements, demolitions not covered by demolition credits, etc.	• Provide cost estimate for remediation; • Submit Business Plan; • Development must results in an increase to the assessed value of the property etc.	**TAP** • Freezing of taxes (maximum of 18 months during remediation and 18 months during redevelopment) **RPG** • 80% annually for up to 10 years • Remaining 20% of the tax increase is allocation to the Municipal Acquisition and Partnership Program • Incentives must not exceed the cost of rehabilitating the land and buildings (i.e. the eligible program costs)	•	**All ERASE programs since 2005:** • Results indicate that over 36 acres of formally vacant and underutilized Brownfields • Projects awarded $3.9M in ERASE redevelopment grants • Date of results unknown	• City maintains both city-wide and area specific CIP policies • ERASE is a comprehensive CIP with numerous incentive and grant programs
	• ERASE Development Charge Reduction Program (DRC) (separate from ERASE CIP)	**Restricted to Areas and Types of Development:** • Area 2 does not include residential unless it is a part of a conversion from industrial/commercial • Area 3 does not include reduction for industrial development	• Must have an approved RGP agreement	• Provide a reduction in the amount equal to the cost of environmental remediation and LEED certification	• In force from 5 years of the creation of the CIP (2010) subject to the availability of funding from Council • Reviewed as part of DC By-law	•	• Amount of remediation costs applied against the applicable DC rates can also be applied to the RPG • City has noted that it is not an exemption – important distinction
Oshawa: Downtown Shoulder Area Renaissance Adopted and approved in 2006	• Development Charge Grant Program (Residential Development Only)	**Eligible Residential Uses** • Stacked Townhouses • Street Townhouses • Block Townhouses • Apartments (including one or fewer bedrooms and two or more bedrooms)	**Performance Criteria** • Development must achieve a minimum of four stories; • Development must achieve a minimum of 50 units; • Development must achieve a minimum density of 60 units per hectare; • Development must include a minimum 50% of required parking below grade; • Development must involve the redevelopment of a contaminated site and the submission of an MOE acknowledged Record of Site Condition; and, • Development must be of a high order of architectural and urban design, as determined by staff, involving quality building materials.	• Amount of grant is based on performance criteria • Number of Criteria met: o One =15% o Two =30% o Three 50% o Four = 65% o Five = 80% o Six = 100% • Consists of an annual grant in the amount of 100% of the increase in property taxes resulting from redevelopment until the grant equals the amount of DCs paid	• Grants will be applicable until December 31, 2016	•	• DC grant will be funded through increased property tax revenue from benefitting development

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Oshawa: Downtown Shoulder Area Renaissance Adopted and approved in 2006	• Building Permit Fee Grant Program (Residential Development Only)	• Residential Development	•	• 50% of the building permit fee with a maximum of $50,000 per property	• Grants will be applicable until December 31, 2016 • Subject to the availability of funds	•	• Cannot be retroactively applied to building constructed before the grant come into effect • Grant is not provided until work and final building inspection has been completed
	• Places to Grow Grant Program – Development Charge Reduction (Residential Development Only)	**Eligible Residential Uses** • Stacked Townhouses • Street Townhouses • Block Townhouses • Apartments (including one or fewer bedrooms and two or more bedrooms)	• Grant is only applicable to the Region's Development Charge **Performance Criteria** • Development must achieve a minimum of four stories; • Development must achieve a minimum of 50 units; • Development must achieve a minimum density of 60 units per hectare; • Development must include a minimum 50% of required parking below grade; • Development must involve the redevelopment of a contaminated site and the submission of an MOE acknowledged Record of Site Condition; and, • Development must be of a high order of architectural and urban design involving quality building materials.	• Amount of grant based on number of criteria met (scoring system used) • Number of Criteria met: o One =15% o Two =30% o Three = 50% o Four = 65% o Five = 80% o Six = 100%	• Grants will be applicable until December 31, 2016	•	• Applicant is required to pay both the City's and Region's DCs at the time of building permit application • Cannot be retroactively applied
Oshawa: Brownfields Renaissance (Major Urban Area) Council adopted 2005, approved by MMAH 2006	• Brownfield's Property Tax Cancellation Program	• Encourage rehabilitation of Brownfield sites within the CIP • All property owners within the CIP area **Eligible Program Costs** • Environmental clean-ups • Any action to reduce the concentration of contaminants	**Program Requirements** • Provide application for program • Business plan • Education tax assistance is subject to a three year maximum and but may be longer if approved by the Minister of Finance • May require an agreement to be entered into with the City	**Rehabilitation Period** • All or a portion of the City, Region or Education property taxes may be cancelled (waived) during the rehabilitation period for a period of up to 18 months, when the record of site condition is filed, or when the assistance equals the remediation costs **Development Period** • Development Period commences after rehabilitation and cancels property taxes until date specified on adopted by-law or when tax assistance equals the rehabilitation costs	• 10 year program (expires December 31, 2015)	•	• The total value of cancelled taxes shall not exceed the eligible program costs

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Oshawa: Brownfields Renaissance (Major Urban Area) Council adopted 2005, approved by MMAH 2006	• Brownfields Redevelopment Grant Program (TIEG)	• Applicable to projects that receive the Property Tax Cancellation Grant and if the redevelopment results in an increase in assessment **Eligible Program Costs** • Environmental Studies • Environmental clean-ups • Site preparation including construction/ improvement of on-site public works • Demolition	**Program Requirements** • Application must be submitted • Business Plan • Must result in a re-evaluation of the property by MPAC • Must be approved by City Council • Agreement must be entered into with the City	• 80% of the increase in property taxes • The remaining 20% will be dedicated to the increase in the City portion of the property taxes will be dedicated to the Brownfield's Investment Program	• 10 year program (expires December 31, 2015) • Grants cease when the total value of City grants equals one-third of the costs of eligible works or after 10 years	•	•
Kitchener: Brownfield Remediation City-Wide Adopted in 2003, amended in 2006 and 2008	• Region-City Tax Increment Grant Program (TIG) (Brownfields)	• Remediated Brownfield is only eligible for funding, defined as: *"A property which contained environmental contamination either in the ground or buildings due to the operational activities of a previous land use, where the extent of the contamination rendered the property vacant, under-utilized, unsafe, unproductive or abandoned, and for which a Record of Site Condition has been filed"* **Eligible Costs** • Environmental Assessments (Phase 1 & 2) • Environmental remediation work (work plans, risk assessment, environmental rehabilitation, disposal of contaminated soil etc.) • 10% of indirect remediation costs (planning fees, legal costs, insurance premiums, assessment estimates etc.)	• Enter into a legal agreement with the City and Region • Remediation must result in a minimum increase in property assessment value of $100,000 • Environmental Site Assessments must be completed by a qualified person • Application for TIG must be made prior to the issuance of building permits	• 100% of the increase in property taxes (both the City and Region) for a maximum of 10 years or the total costs of remediating the lands/ buildings, whichever occurs first	• No expiry, dependent on funds available • Regional Council may extend Regional participation in the joint TIG program as it deems appropriate	• Evaluated by Regional Council – intended to lead to revisions to the program if required	• Tax increment does not include assessment increase/ decreased in municipal taxes due to general tax rate increase/ decrease
	• Brownfields Financial Tax Incentive Program (Education property tax)	**Eligible Costs** • Any action to reduce the concentration of contaminants • Compliance with the Certificate of Property Use issues under the Environmental Protection Act • Environmental consultant fees • Property Insurance during remediation	**Eligibility Requirements** • Phase 2 environmental site assessment • Record of site condition • Property must be included within the designated CIP boundary	• 100% of in the education property taxes levied after the approval of the Property Tax Assistance By-law (during rehabilitation and development periods) for up to 3 years • May be extended if the City applies to the MMAH	• Not specified	•	•

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Kitchener: Adaptive Re-Use CIP Outside of Downtown Core Adopted 2005, amended 2010	• Encouraging and Directing Growth for Efficiency (EDGE) Strategy – Adaptive Reuse Grant (TIEG)	**New Residential Unit** • Constructed within existing building • Constructed between exterior facades which have been preserved from the original structure • Constructed on the same site, but shall not exceed the total number constructed within the existing building and the total number of units constructed between preserved facades **New Office/ Commercial Development** • New space constructed within the existing building • Cost of new space constructed between exterior facades from the original structure o Cost of equivalent new office or commercial space constructed on the same site, but shall not exceed newly constructed space within the existing building or new space constructed within existing facades	• Must be located where an existing or vacant building is proposed to be converted o From commercial, industrial or institutional to residential use o From an industrial use to a new commercial use or office • Project costs consist of building renovations and additional building construction that results in an increase in the assessment level of the property • The proposed project includes at least one of the following aspects: o Publicly accessible artwork or a publicly accessible industrial artefact to the satisfaction of the General Manger of Community Services, for the City of Kitchener; o Affordable rental or purchase units, which are 51.0 square metres or less in floor area to the satisfaction of the Director of Planning, for the City of Kitchener; and/or o The conservation of historical or architecturally significant features of the building to the satisfaction of the Director of Planning, for the City of Kitchener.	• 100% of the City's Tax Increment for a maximum period of 10 years ; or o Maximum of $10,000 per residential unit o Maximum of 5% of the Eligible Project Costs for office and commercial floor space, whichever comes first	• Building permits must be obtained by December 31, 2013	• Monitoring of program to occur at a minimum of every 5 years • Council has the authority to amend the plan and extend the date into the future	• Property owner pays the full tax owing and then the City provides grant to property owner • Project that receives a adaptive reuse grant <u>cannot</u> qualify for a grant under the Brownfield Remediation CIP
	• Parkland Dedication or CIL Related to Adaptive Reuse	• Residential Development • Office/ Commercial Development (same as Adaptive Re-Use program above)	• Must be located where an existing or vacant building is proposed to be converted o From commercial, industrial or institutional to residential use o From an industrial use to a new commercial use or office	• Parkland dedication based on total area of the land less the area which the existing development is to remain	• Last grant payment estimated for December 2025	•	•
Kitchener: Downtown CIP Adopted 1997, amended 2001, 2004, 2005, 2008, 2014	• Tax Incentive for rehabilitation of old buildings (TIEG)	• Any property within the identified CIP area	• Subject properties shall not have an tax arrears • All applications are subject to the availability of the "Downtown Capital Improvement Fund"	• Grant period of 3 years following completion and occupancy • Annual grant equal to 50% of the City's increase in property taxes • The total value of the grant, plus any other applicable incentives shall not exceed the value of the work done	•	•	•

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Kitchener: Downtown CIP Adopted 1997, amended 2001, 2004, 2005, 2008, 2014	• Exemptions from Planning and Building Fees	• Any property within the identified CIP area	• Subject properties shall not have an tax arrears • All applications are subject to the availability of the "Downtown Capital Improvement Fund"	• 100% exemption of the cost of demolition and building fees, site plan approval process, occupancy certificates, and sign permits	•	•	• Fees are collected upfront and refunded once work is complete to the satisfaction of the City
Ajax: Downtown CIP	• Rehabilitation Grant Program	**Eligible Uses** • Residential • Office/ Commercial **Eligible Costs** • Environmental Studies • Environmental Remediation • Site Preparation includes construction of on-site works e.g. water services, private sanitary and storm drains • Demolition	• Improvements to buildings must be of a sufficient size and result in a re-assessment of the property **Program Requirements** • Gross site development area must be in excess of 5.0 hectares • A minimum of 11,000 square metres of new commercial/office GFA • Business Plan (may be required) • Redevelopment Agreement with the Town • Must be approved by Council • Improvements made pursuant to the Building Code • Must adhere to zoning requirements and approvals as well as OP policies/ guidelines which address built form in the Downtown Central Area	• 80% of the increase in property taxes • Grant payments will cease when the total payments equal the total value of the work done or after the 10 year period, whichever comes first	• Expiry of December 31, 2015 (approximately a 10 year period)	•	• Was not implemented as part of the CIP – program was at the discretion of council to be implemented
	• Planning and Development Fees Grant Program	**Eligible Uses** • Residential • Office/ Commercial **Specific Fees** • OP amendments, rezoning, minor variances, consents, site plans (and amendments), plans of subdivision/condominium, sign permits, and demolition permits • Building permits	• Applicant must apply to Planning and Development Department at the same time that the permit application is made • Improvements made pursuant to the Building Code • Must adhere to zoning requirements and approvals as well as OP policies/ guidelines which address built form in the Downtown Central Area • Outstanding work orders or outstanding requests from Planning and Building must be addressed	• 100% grant for Planning Fees • 80% of building permit fees	• Expiry of December 31, 2010 (approximately 5 years after approval)	•	• Owner required to pay all fees at time of application

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Ajax: Downtown CIP	• Development Charge Exemption/ Grant Program	**Uses** • Residential • Office • Commercial	• Project must be new construction only or adaptive re-use of a structure • Improvements made pursuant to the Building Code • Must adhere to zoning requirements and approvals as well as OP policies/ guidelines which address built form in the Downtown Central Area • Outstanding work orders or outstanding requests from Planning and Building must be addressed	**Residential** • 100% for high-density development equal to or greater than 90 units per hectare • 50% medium-density > 25 units but < 90 units per hectare that provide surface parking • 75% medium-density > 25 units but < 90 units per hectare that provides underground parking **Office** • 100% if over 2 storeys **Commercial** • 100% if location in mixed-use building with 2 or more storeys of offices – retail/personal service component does not exceed the office component • 100% if located in mixed-use building 6 storeys or more – commercial GFA must not exceed 30%	• By-Law expires September 2018, reviewed every 5 years	•	• Implemented through DC by-law
	• Reduced Parkland Dedication Requirements Program (Residential Only)	• Residential • Non-Residential	• Residential development and redevelopment o high-density development equal to or greater than 90 units per hectare o medium-density > 25 units but < 90 units per hectare that provide surface parking • Non-residential Development o No requirements	• Parkland dedication at 5% • Not subject to one hectare per every 300 units	•	•	• Reflected in the parkland dedication by-law
	• Exemption from Parking Requirements Program	• Considered on a site-by-site basis, but shall be applied to: o Commercial development o Office Development o Medium and high-density rental and condominium-based residential development	• Requirements and total reduction in parking is determined through zoning by-law or minor variance agreement	• Exemption or relief provided on a site-by-site basis	•	•	•
Mississauga: Exchange District CIP In development, CIP has not been presented to council	• Incentives and recommendations are preliminary	• Intent of CIP is to attract Office Development • Other uses may also be identified as eligible during the CIP Study	• Not yet determined	• Incentives will likely include TIEG's and DC Reduction's	• Not yet determined	•	• Regional participation needed to increase incentives • Area only has a few property owners • Boundary has been defined but may be further refined

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Niagara Falls: Downtown Created 2004	• Residential Loan Program	• Residential development	• Existing commercial converted into one or more residential units • Existing industrial converted into one or more residential units • Vacant commercial lot converted into multi-residential units • Vacant single lots converted into multi-residential units • Renovations to existing residential units (to comply with Building Code, Property Standards etc.) • Application required with plans, estimates and contracts • Must conform with municipal plans/ policies i.e. urban design guidelines, impact studies, Official Plans and Zoning By-law • Must be approved by Council	• 5 year term with 15% being repaid each year • Residential development in the Downtown core provided on the basis of $20 per sq.ft for habitable area or a maximum of $20,000 per unit **Loan Repayment** • 0% interest • Paid over 5 year period with 15% paid each year	• Expires 10 years after the approval by the Minister of Municipal Affairs and Housing	•	•
Niagara Falls: Downtown Created 2004	• Revitalization Grant Program (TIEG)	• Redeveloping or rehabilitation of residential and commercial buildings	• Existing commercial, residential or mixed-use buildings, vacant properties and parking lots where the redevelopment or rehabilitation project results in an increase in property value • Application submitted to the City • Business Plan (may be required) • Conformity with all municipal plans and policies i.e. urban design guidelines, traffic impact studies etc. • Must be approved by Council	• 60% over 10 years 80% for the first five years, 60% in years 6 and 7, 40% in year 8, and 20% in years 9 and 10	• Expires 10 years after the approval by the Minister of Municipal Affairs and Housing	• Expected benefits: increased private sector investment, long-term increase in assessment based and property tax revenues	• City has noted office construction in the Downtown is not as much of a priority as the need for residential or commercial development
	• Development Charge Exemption Program – Downtowns, Brownfield's and built-up areas	• All development within the CIP area • Incentive amount is determined by criteria	• New residential development on vacant lots, including parking lots; • Residential conversion of existing commercial and • Mixed use buildings that creates additional residential units; • New commercial development on vacant lots, including parking lots; • Conversion of non-commercial space to commercial space; • Redevelopment of mixed use buildings that creates additional residential units and/or commercial space. • Must be in conformity with Official Plan, Zoning By-law policies etc.	• 75% exemption of Regional DCs if located within a Brownfield, built-up area or Downtown • Up to an additional 25% development charge exemption if Smart Growth principles are incorporated into the development • 75% exemption of City DC for residential, commercial and mixed use development and redevelopment (must create additional residential units or commercial space)	• Offered for a period of 5 years, extension is determined by Council and the availability of funds	•	• It can be used to complement the benefits received from the RGP • Exemption applied at time of building permit issuance

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Niagara Falls: Urban Area Sites Approved 2006	• Brownfields Tax Assistance Program	**Eligible Property** • Anywhere in the Urban Areas where a Phase II Environmental Site Assessment has been undertaken and an RSC has not been filed with the Ministry **Eligible Costs** • Phase II ESA, Remedial Work Plan, and Risk Assessment not covered by the Environmental Study Grant Program; • Environmental remediation, including the cost of preparing a RSC; • Placing clean fill and grading; • Installing environmental and/or engineering controls/works as specified in the Remedial Work Plan and/or Risk Assessment; • Monitoring, maintaining and operating environmental and engineering controls/works, as specified in the Remedial Work Plan and/or Risk Assessment; • Environmental Insurance premiums	• Application • Costs estimates • Business Plan (may be required) • Must result in an increase in assessment value • Total value of program shall not exceed the eligible costs • Must be approved by Council	• Freeze on property taxes for a period of time (may be different between the Region and the City)	• Grant will cease when total tax assistance is equal to the amount of eligible costs or after 5 years for municipal taxes and the period identified by the Minister of Finance as it related to educational property taxes	• Variables to be monitored include: number of application, increased in value of properties, total amount of land remediated and redeveloped, industrial/ commercial space constructed, residential unit development, value of private section leveraged, jobs created etc.	•
Niagara Falls: Urban Area Sites Approved 2006	• Brownfields Rehabilitation Grant Program (TEIG) – begins after Tax Assistance Program ends	**Eligible Uses** • Any property within CIP area **Eligible Costs** • Phase II ESA, Remedial Work Plan, Risk Assessment • Environment Remediation • Clean fill and grading not covered by the Tax Assistance Program • Installing environmental/ engineering controls • Monitoring, maintaining and operating environmental and engineering controls • Environmental insurance • Demolishing buildings • Building rehabilitation and retrofit • Upgrading on-site infrastructure including water and wastewater services • Constructing/ upgrading off-site infrastructure	• Application submitted to the City • Include reports, plans and estimates to satisfy the CIP • Business Plan (may be required) • Must result in an increase in assessed value of the property • Grant shall not exceed the total value of the eligible works • Must be approved by Council	• Up to 80% for 10 years • Eligibility is based on property status and the work required (i.e. environmental remediation)	•	• Variables to be monitored include: number of applications, increase in property values, increase in property taxes, amount of land remediated/ redeveloped, residential units, value of private section leveraged, jobs created etc	• This grant cannot be combined with the Rehabilitation grant in the Downtown CIP • Property owner pays taxes and then receives a grant

Jurisdiction & Date	Program Name and Type	Eligible Uses	Criteria	Incentive Amount	Sunset Provisions	Results/ Monitoring	Notes
Guelph: Downtown CIP	• Minor Downtown Activation Grant Program (small scale residential and commercial)	• Residential • Commercial	• Properties must be located within the CIP Area • Additional criteria relating to the scope and applicable works are provided in the CIP implementation guidelines • Application must be made by the registered owner • Must conform with City planning documents (i.e. Official Plan, Zoning By-law) • Grants will not be retroactively applied to work started prior to approval by Council	• **Minor Downtown Activation Grant**: 30% of capital costs of rehabilitation or redevelopment of property to a max. of $120,000 per municipal address	• Termination of the program is determined on an on-going basis through monitoring • Adjustments to the eligibility requirements, evaluation and administration process are done periodically	• Results are reported back to Council on an annual basis	• While the CIP report provides an overview of the CIP Area and incentives, the Implementation Report provide details of the eligibility criteria, funding amounts, and application criteria
	• Major Downtown Activation Grant Program (small scale residential and commercial)	• Residential • Commercial	• Properties must be located within the CIP Area • Additional criteria relating to the scope and applicable works are provided in the CIP implementation guidelines • Application must be made by the registered owner • Must conform with City planning documents (i.e. Official Plan, Zoning By-law) • Grants will not be retroactively applied to work started prior to approval by Council	• **Major Downtown Activation Grant:** TIEG grant amount maximum equal to 100% of the increase in property taxes for a 10 year period or 30% of the construction value of the project (whichever is less)	• Termination of the program is determined on an on-going basis through monitoring • Adjustments to the eligibility requirements, evaluation and administration process are done periodically	• Results are reported back to Council on an annual basis	• While the CIP report provides an overview of the CIP Area and incentives, the Implementation Report provide details of the eligibility criteria, funding amounts, and application criteria

THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER XXX-2015

A by-law to designate two areas covered by the Official Plan for the City of Vaughan as the "Vaughan Metropolitan Centre" and "Weston Road and Highway 7" Community Improvement Project Areas.

WHEREAS pursuant to Section 28 of the *Planning Act*, City Council may designate whole or any part of an area covered by an official plan as a community improvement project area;

AND WHEREAS on May 27, 2014 Council adopted the recommendations from the Priorities and Key Incentives Committee Staff Report entitled *"Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development"* that directed a Community Improvement Plan be prepared for the Vaughan Metropolitan Centre and intensification corridors to promote major office development;

AND WHEREAS the Terms of Reference for the Community Improvement Plan Study was expanded to encompass all intensification areas within the City where office development is permitted;

AND WHEREAS on October XX, 2015 the Committee of the Whole recommended the designation of the Vaughan Metropolitan Centre and the Weston Road and Highway 7 areas to be designated as Community Improvement Project Areas;

AND WHEREAS on October XX, 2015 Council approved the "*Community Improvement Plan for Office Uses in Two Community Improvement Project Areas*";

WHEREAS before a by-law adopting a Community Improvement Plan can be adopted the Community Improvement Project Area(s) must be designated, appropriate programs and financial tools must be identified and a public meeting to consider the proposed Community Improvement Plan must be held;

THEREFORE the Council of the City of Vaughan hereby enacts as follows:

1. The following land areas, as illustrated in Schedule A and Schedule B to the by-law, are designated as the community improvement plan areas;
   Schedule A: Vaughan Metropolitan Centre
   Schedule B: Weston Road and Highway 7

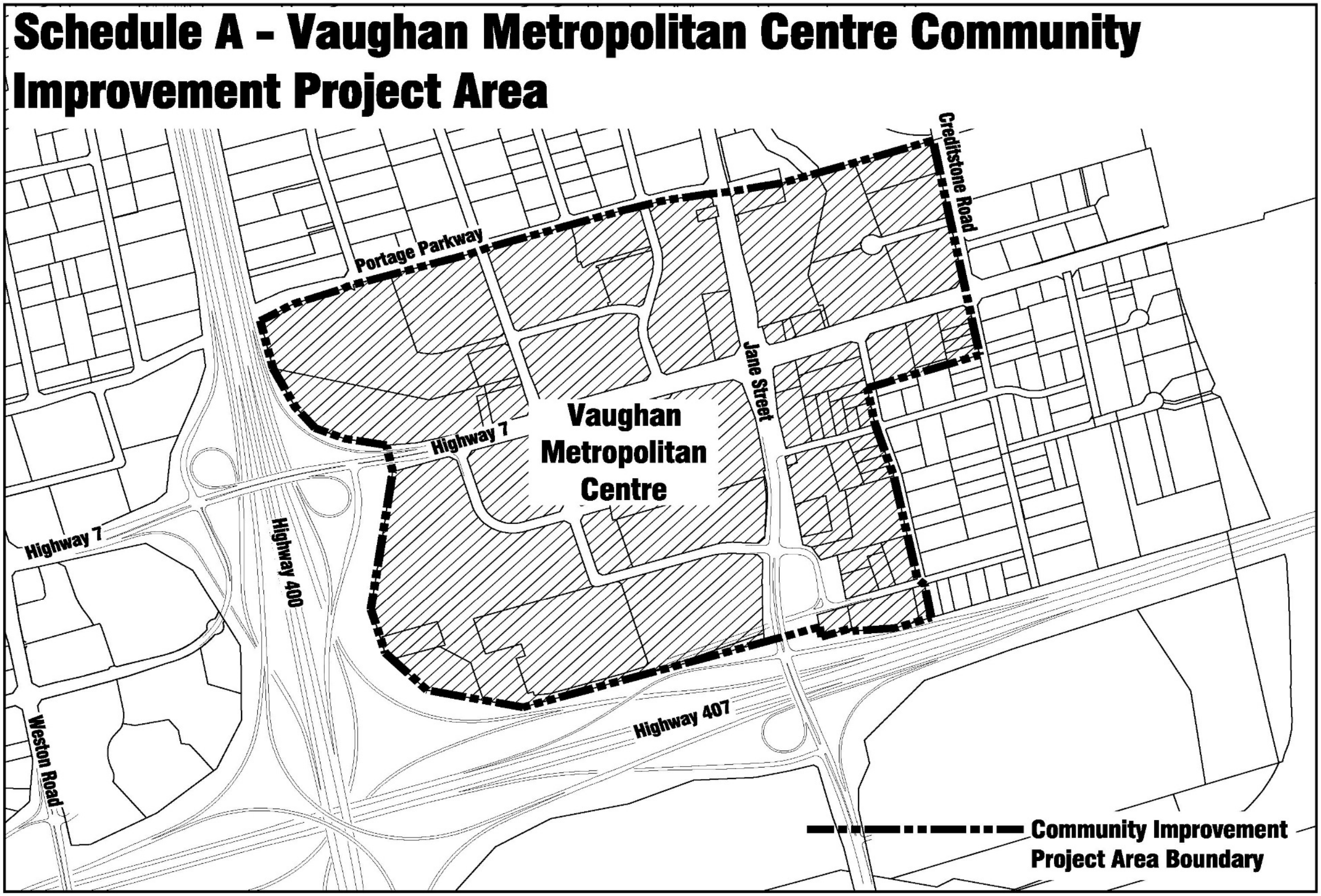
2. This By-law shall come into force and take effect on the day of the final passing thereof.

Enacted by the City of Vaughan Council this XX day of October, 2015.

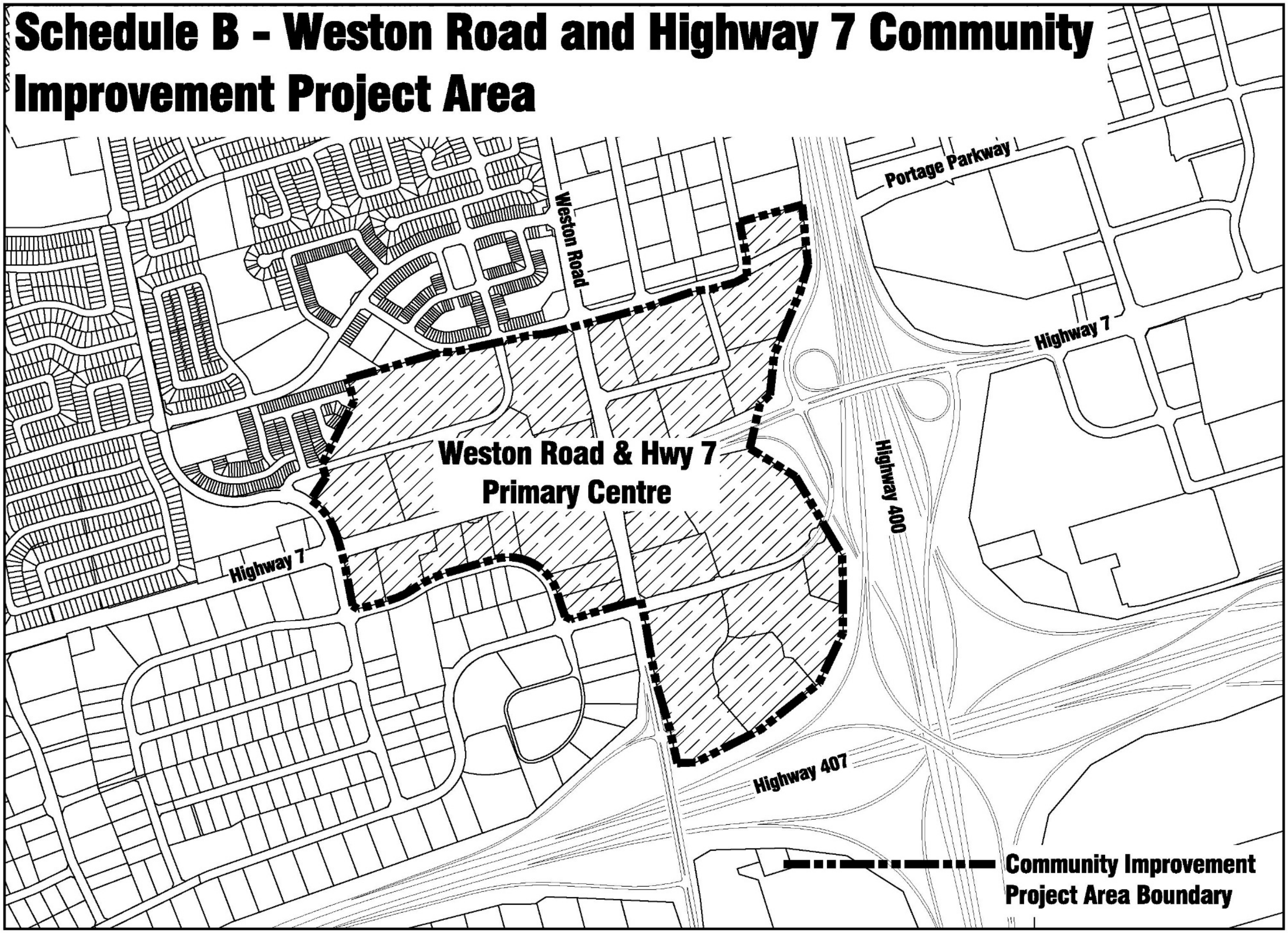
____
Hon. Maurizo Bevilacqua, Mayor

____
Jeffery A. Abrams, City Clerk

Schedule "A"
Vaughan Metropolitan Centre



Schedule "B"
Weston Road and Highway 7



THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER XXX-2015

WHEREAS pursuant to Section 28 of the *Planning Act*, City Council may, where it has passed a by-law designating the whole or any part of an area covered by an Official Plan as a Community Improvement Plan Project Area, adopt a Community Improvement Plan for the Community Improvement Project Area;

AND WHEREAS Council has received the report entitled the *Community Improvement Plan for Office Uses in Two Community Improvement Project Areas* dated September 9, 2015;

AND WHEREAS By-law XXXX-2015 was passed by the Council of the City of Vaughan designating the "Vaughan Metropolitan Centre" and "Weston Road and Highway 7" areas as a Community Improvement Project Areas;

AND WHEREAS at least one public meeting has been held in accordance with Section 28 of the *Planning Act*;

THEREFORE the Council of the City of Vaughan hereby enacts as follows:

1. That the criteria for the financial programs proposed in the Community Improvement Plan for Office Uses in Select Intensification Areas, as attached to this by-law, is hereby adopted for the "Vaughan Metropolitan Centre" and "Weston Road and Highway 7" areas as described in By-law XXXX-2015.

2. This By-law shall come into force and take effect on the day of the final passing thereof.

Enacted by the City of Vaughan Council this XX day of October, 2015.

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Hon. Maurizio Bevilacqua, Mayor

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Jeffery A. Abrams, City Clerk

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1. QUALIFYING OFFICE DEVELOPMENT FINANCIAL PROGRAMS

The financial programs, as outlined in this By-law, are subject to the following general definitions and conditions as well as specific requirements as prescribed by each financial program. The City reserves the right to amend, alter or include other requirements for each application that is submitted.

1.1. DEFINITIONS

“Applicant” means the registered owner of buildings or land located within the designated community improvement project areas or the owner’s agent whom has the appropriate authority to apply for and receive grants on behalf of the owner.

“Approval Letter” means confirmation by letter, or another form of communication by the City, that details the approved amount as well as general terms and conditions of the qualifying financial programs.

“City” means the City of Vaughan.

“Community Improvement Plan (CIP)” refers to the Council approved *“Community Improvement Plan for Office Uses in Two Community Improvement Project Areas”* for the purposes of using financial incentives to encourage the development of qualifying office uses in defined community improvement plan areas, as permitted under Section 28 of the *Planning Act*.

“Community Improvement Project Area (CIPA)” as defined under Section 28 of the *Planning Act*, relates to the areas within a municipality designated for community improvement which, in the opinion of Council, is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason, and for the purposes of this By-law shall include:

A. The Vaughan Metropolitan Centre Community Improvement Project Area.
B. The Weston Road and Highway 7 Community Improvement Project Area; and

“Council” is the Council of the Corporation of the City of Vaughan.

“Development” means the construction of a building or structure.

“Final CIP Agreement” means the final agreement between the Applicant and the City outlining all terms and conditions of financial program approvals, as applicable. The Final CIP Agreement will be registered on title to the property to which the financial programs relates. The Final CIP Agreement will compliment and may expand upon, but in no way detract from the conditions set out herein. Prior to the implementation of a Final CIP Agreement, the Applicant shall submit a written Pre-CIP Application, which must be approved by the City.

“Gross Floor Area (GFA)” means, in the case of a non-residential building or structure or the non-residential portion of a mixed-use building or structure, the aggregate of the areas of each floor, whether above or below grade, measured between the exterior faces of the exterior walls of the building or structure or from the centre line of a common wall separating a non-residential and a residential use, and:

i. Includes the floor area of a mezzanine and the space occupied by interior walls and partitions;
ii. Excludes in the case of a building or structure containing an atrium, the sum of the areas of the atrium at the level of each floor surrounding the atrium above the floor level of the atrium;
iii. Excludes the area of any self-contained structural shelf and rack storage facility approved by the Building Materials Evaluation Commission;
iv. Excludes, in the case of a building containing parking garage spaces, the sum of the areas of designed or intended for use for the parking of motor vehicles; and
v. For the purposes of this definition, the nonresidential portion of a mixed-use building is deemed to include one-half of any area common to the residential and non-residential portions of such mixed-use building or structure.

"MPAC" means Municipal Property Assessment Corporation.

"Office, Business or Professional" means the use of a building or structure or part of a building or structure in which one or more persons are employed in the administration, direction or management of a business, agency, brokerage or organization, or by professionally qualified persons and their support staff, and shall include but not be limited to an office of a regulated health professional, lawyer, dentist, architect, engineer, stock broker, accountant, real estate or insurance agency, veterinarian or a similar professional person's office but shall not include a veterinary clinic.

"Parking garage" means a structure used for the parking of motor vehicles, including pedestrian aisles, lanes for the movement of vehicles and a way of access to and from a public highway.

"Parking lot or parking area" means an area of land comprised of parking spaces and related aisles, maneuvering areas and entrances and exits.

"Property Tax Increment" means the municipal Property Tax Increase as a result of developing or redeveloping a property.

"Pre-CIP Application" means the written expression by an Applicant of the intent to apply for one or more financial incentives described in this By-law. The Pre-CIP Application may be submitted to the City prior to beginning the site plan approval process but must be submitted at least 60 days prior to the first building permit submission. Preliminary consultation with City staff may occur prior to an application.

"Use, Office" means the GFA associated with Office, Business or Professional uses.

"Use, Residential" means the use of land, buildings or structures for human habitation.

"Use, Non-Residential" means the use of any land, building or structure or part thereof for use other than a residential use.

"Use, Mixed" means for the purposes of this By-law, mixed-use office buildings with residential and/or non-residential components besides offices.

"Weston Road and Highway 7 Community Improvement Project Area" means the area as illustrated in Schedule "B" of By-law XXX-2015.

"Vaughan Metropolitan Centre (VMC) Community Improvement Project Area" means the area as illustrated in Schedule "A" of By-law XXX-2015.

1.2. GENERAL PROGRAM REQUIREMENTS

In order for an office development to be eligible to qualify for any financial program as provided under this By-law, it must meet the following requirements:

1.2.1. Be located within the designated community improvement project areas.

1.2.2. All proposed works approved under the financial programs and associated improvements to buildings and/or land shall conform to all relevant codes, policies, procedures, design and engineering standards and guidelines, including applicable municipal by-laws, Official Plan and Secondary Plan policies, and zoning requirements and approvals.

1.2.3. It must include:

i. A minimum of 10,000 square metres (107,639 square feet) of new office space as measured at the time of site plan and/or first building permit issuance;

ii. The qualifying space may be in multiple buildings as long as it is part of the same site plan and/or building permit; and

iii. The first building permit must be issued on or after January 1, 2014.

1.3. CIP EXPIRY

1.3.1. This By-law shall expire once 139,355 square metres (1.5 million square feet) of office space has qualified under this By-law or five years from its date of enactment, whichever occurs first.

1.3.2. The City reserves the right to amend, cancel or alter the financial program described in this By-law at any time.

1.4. LIMITATIONS

Notwithstanding the general program requirements, the City shall not be responsible for:

1.4.1. Any costs incurred by an Applicant in relation to the eligible financial programs;

1.4.2. The delay or cancellation of financial grants caused by Applicants who fail to adhere to any general or specific financial program requirements.

1.5. ADMINISTRATION

1.5.1. Pre-CIP Application

i. Applicants must notify the City of the intent to apply for the program through the preparation of a Pre-CIP Application.

ii. Pre-CIP Application must be made during the planning approval process and at least 60 days prior to the issuance of the first building permit (at, above or below grade).

iii. A meeting may be held with the Applicant to discuss eligibility requirements, supporting planning approvals, preliminary development concepts (if available) including the proposed office and non-office components of the development.

1.5.2. Application Review and Evaluation

i. Pre-CIP Application will be reviewed by City staff to ensure that the proposed development meets all eligibility criteria.

ii. The qualification decision made jointly by the Commissioner of Planning, Executive Director City Manager's Office and City Treasurer or their designate, is final and cannot be appealed.

iii. Estimated incentive amounts and preliminary terms and conditions will be provided to the

Applicant.

iv. A Pre-CIP Application may be amended or withdrawn but the document must be approved prior to the issuance of the first building permit.

1.5.3. Approval Letter

i. At the time of the issuance of the first building permit, if approved, the Applicant will be provided with an approval letter detailing the amount of development charges and cash-in-lieu of parkland reductions, if applicable.

ii. The approval letter will also outline the general terms of the Tax Increment Equivalent Grant (TIEG) program.

iii. The approval letter may be adjusted to account for any amendments to building permits.

1.5.4. Final CIP Agreement

i. The Final CIP Agreement inclusive of all terms and conditions will be produced in a form satisfactory to the City Solicitor by Economic Development, Planning and Finance staff and registered on title once the Municipal Property Assessment Corporation (MPAC) has completed the reassessment of the property.

2. THE FINANCIAL PROGRAM THAT APPLIES TO THE COMMUNITY IMPROVEMENT PROJECT AREAS

The financial program described in this section applies to both Schedule "A" and Schedule "B" of By-law XXX-2015.

2.1. DEVELOPMENT CHARGE (DC) REDUCTION

The purpose of the DC reduction is to encourage the development of office uses by reducing the total applicable City-wide DCs as referenced in By-law 045-2013. Should By-law 045-2013 be amended, repealed or replaced, the reduced DC rate, as identified in this By-law, shall be applied to any eligible developments that meet the general and program specific eligibility requirements.

2.1.1. Description

The reduced rate is the applicable to the indexed DC as of August 1, 2013 of ($20.35 per square metre of GFA as defined in By-law 230-2008) relating to office uses.

2.1.2. Limitations

The reduction is in respect of the City-wide portion of the eligible DCs and shall not apply to any other DCs applicable to:

i. City of Vaughan Area-specific DCs;

ii. York Region;

iii. GO Transit; or

iv. Boards of education.

2.1.3. Eligibility Requirements

i. The reduced DC rate is only applicable to the total GFA of a building for office uses. Other GFA for uses such as residential, retail, commercial, or institutional uses are not eligible;

ii. The program applies to all office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule "A" of By-law XXX-2015) and the Weston Road and Highway 7 Community Improvement Project Area (Schedule "B" of By-law XXX-2015);

iii. The program applies to any development that would be subject to DCs in accordance with the Development Charges Act, 1997 or any successor thereof.

2.1.4. Reduction of Applicable DCs

i. At the time of issuance of the first building permit, the calculated DC reduction shall be deducted from the City-wide DC obligation for the application.

ii. The calculated DCs, net of reduction, shall be paid at time of building permit issuance except where an Applicant has entered into a pre-payment or deferral agreement with the City.

iii. The DC reduction amount may be adjusted to account for any amendments to building permits.

2.2. CASH-IN-LIEU (CIL) OF PARKLAND DISCOUNT

The CIL of parkland discount will be provided for qualifying developments as follows: (i) qualifying developments will be fully exempt from CIL contributions and; (ii) mixed-use developments that provide qualifying office space will receive a discounted CIL requirement for their residential component.

In accordance with section 42 of the *Planning Act,* CIL of parkland for commercial and industrial development, inclusive of office development, is calculated at a rate of 2 per cent of the total land value. The current in force CIL of parkland rate for high-density residential units is $8,500 per as described in By-law 205-2012. Should By-law 205-2012 be updated, amended or appealed, the new CIL of Parkland rates shall apply to the CIL of Parkland Discount financial program as described in this By-law.

2.2.1. Description

CIL of parkland rate for eligible developments shall be calculated as follows:

i. 100 per cent exemption for office uses; and

ii. A discount for high-density residential dwelling units of $4,400 per unit for every 70 square metres (750 square feet) of office space developed will be applied to the current CIL of Parkland rate in force at the time the CIL requirement is calculated for a qualifying development

2.2.2. Eligibility Requirements

i. The program applies to all office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule "A" of By-law XXX-2015) and the Weston Road and Highway 7 Community Improvement Project Area (Schedule "B" of By-law XXX-2015);

ii. Developments that include high-density residential dwelling units must be part of the same Site Plan Agreement as the qualifying office development in order to receive the reduced CIL of parkland rate.

iii. The program applies to any development for which an application requires the payment of CIL of parkland including:

- Minor variance under section 45 of the *Planning Act*;
- Conveyance of land to which a by-law passed under subsection 50 (7) of the *Planning Act* applies;
- Plan of subdivision under section 51 of the *Planning Act;*
- Consent under section 53 of the *Planning Act*; and
- Site plan control agreement under section 41 of the *Planning Act.*

2.2.3. Discount of Applicable CIL of Parkland Requirement

i. Prior to the issuance of the first building permit, the calculated CIL discount shall be reduced from the overall CIL of parkland amount calculated for the application.

ii. The total calculated CIL of parkland amount shall be paid prior to building permit issuance except where an Applicant has entered into a pre-payment or deferral agreement with the City, in which case, payment shall be made in accordance with the terms and provisions of such agreement.

iii. The qualification amount and thereby the approval letter may be adjusted to account for any amendments to building permits.

2.3. TAX INCREMENT EQUIVALENT GRANT (TIEG)

The Tax Increment Equivalent Grant (TIEG) is intended to provide financial assistance to eligible owners who undertake qualifying office developments in the Weston Road and Highway 7 Community Improvement Project Area and the Vaughan Metropolitan Centre Community Improvement Project Area.

The TIEG is an annual grant used to offset a portion of the property tax increase (herein referred to as the Property Tax Increment) resulting from the development or the redevelopment of the qualifying property.

2.3.1. Description

The grant is annual and phased over a ten year period. The maximum amount of the grant is at 70% of the Property Tax Increment for qualifying office uses and declines over the ten year period. The table below shows the annual applicable percentage.

Year	Grant % [1]	Nat Taxes Payable %
1	70	30
2	63	37
3	56	44
4	49	51
5	42	58
6	35	65
7	28	72
8	21	79
9	14	86
10	7	93

[1] *Expressed as a percentage of the calculated Property Tax Increment*

2.3.2. Eligibility Requirements

i. The program applies to office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule "A" of By-law XXX-2015) and the Weston Road and Highway 7 Community Improvement Project Area (Schedule "B" of By-law XXX-2015);

ii. Grants shall be calculated based on the office GFA (as provided by MPAC) of a building and shall not apply to other uses located in the same building that the office use occupies, such as other non-residential uses (including parking garages, parking lots or parking areas) or residential uses.

2.3.3. Limitations

i. The program applies to the City of Vaughan portion of property taxes and does not affect the Region of York property taxes or the Provincial education taxes.

ii. The proportion of the Property Tax Increment upon which the annual TIEG will be based will be the lesser of:
   - The proportion of GFA occupied by office uses in the first year in which the TIEG is payable; and
   - The proportion occupied by office uses for the year in which the TIEG is provided.

2.3.4. Phased Development

For developments that are constructed in phases, and where one phase is constructed in advance of any other phase of the development(s), each phase shall be treated as a separate property for the purposes of calculating the Property Tax Increment and the applicable TIEG.

The applicable TIEG for phased development will be calculated as follows:

i. The grant for the first phase of the development will be calculated based on the Property Tax Increment arising from the increased assessment value of the first phase.

ii. As each additional phase of the development is constructed and results in an increase in assessment, the Applicant must apply for an additional TIEG based on the new Property Tax Increment related to the new phase and must submit a separate Pre-CIP Application and, if approved, enter into a separate Final CIP Agreement with the City.

iii. Subsequent phases will be subject to the same terms and conditions as the initial development unless otherwise specified in a Final CIP Agreement.

2.3.5. Appeals and Rebates

The annual TIEG amount shall be adjusted in accordance with the following provisions:

i. Should the Applicant of a property subject to an approved TIEG financial program file a Request for Reconsideration or an assessment appeal in relation to a Property Assessment Notice from MPAC, and if the assessment as a result of the appeal is reduced, the City will recalculate the applicable municipal Property Tax Increment and any overpayment shall be repaid to the City by the Applicant;

   Any rebate of municipal taxes paid to the property owner, including rebates related to Vacancy or Tax Appeals, will be deducted on a proportional basis from the TIEG amount.

2.3.6. Grant Payment

i. Grants will be provided starting in the first year for which MPAC has fully assessed the qualifying office use.

ii. The City will calculate the grant amount based on the office component of the Property Tax Increment and will issue an annual grant through a cheque or account credit, provided that:
   - There are no outstanding taxes or other fees owed to the City with respect to the property; and
   - There are no other outstanding terms or conditions or any violations of the executed Final CIP Agreement.

iii. A Final CIP Agreement may be adjusted at the discretion of the City based on changes in use, assessment appeals or other matters.

3. ELEMENTS OF THE FINANCIAL PROGRAM THAT APPLY TO THE VAUGHAN METROPOLITAN CENTRE COMMUNITY IMPROVEMENT PROJECT AREA ONLY

The financial program described in this section applies to the Vaughan Metropolitan Centre Community Improvement Project Area only.

3.1. DEVELOPMENT CHARGE (DC) DEFERRAL

The DC Deferral is intended to match the Region of York's current DC deferral policy for high-rise office development. The DC Deferral will be used in conjunction with the DC Reduction incentive to further encourage office development.

3.1.1. Description

Payments of City-wide DCs relating to qualifying office uses may be deferred for up to a maximum of eighteen (18) months.

3.1.2. Limitations

The deferral applies only to the City-wide portion of the eligible DCs and shall not apply to any other DCs relating to:

i. City of Vaughan Area-specific DCs;
ii. York Region;
iii. GO Transit; or
iv. Boards of education.

3.1.3. Eligibility Requirements

i. The program applies to all office uses that meet the general and specific financial program requirements and are located within the Vaughan Metropolitan Centre Community Improvement Project Area (Schedule "A" of By-law XXX-2015) only.
ii. The DC deferral is only applicable to the GFA of the building that relates to office uses. Other uses such as residential, retail, commercial, or institutional uses are not eligible.
iii. The DC payment deferral period shall apply to developments that meet all other general and specific eligibility criteria and conditions beginning the day after this By-law comes into force, and shall not be apply retroactively to any DCs paid prior to the enactment of this By-law.

3.1.4. Deferral of Applicable Development Charges

i. The decision to provide a DC payment deferral will be made at the sole and unfettered discretion of the City Treasurer or his/her designate in consultation with the City Solicitor, Commissioner of Planning and Executive Director City Manager's Office;
ii. At the time of issuance of the first building permit, the calculated DC deferral amount will be identified and a Letter of Credit for the entire deferral amount will be required prior to first building permit issuance.
iii. Payment will be deducted from the Letter of Credit in full eighteen (18) months after the first building permit is issued.

Attachment 4

Process Mapping