

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 17, 2015**

Item 11, Report No. 40, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on November 17, 2015.

#### **11 COMMUNITY IMPROVEMENT PLAN FOR THE VAUGHAN METROPOLITAN CENTRE AND WESTON ROAD & HIGHWAY 7 PRIMARY CENTRE**

The Committee of the Whole recommends:

- 1) That the recommendation contained in the following report of the Chief Corporate Initiatives & Intergovernmental Relations; Deputy City Manager, Planning & Growth Management; and the Chief Financial Officer & City Treasurer, dated November 3, 2015, be approved subject to the following in accordance with Communication C1, from the Director of Economic Development and Culture Services, Director of Financial Planning & Development Finance and Deputy City Treasurer, and the Deputy City Manager, Planning and Growth Management, dated November 3, 2015:
  1. That the report be modified to reduce the square footage threshold under the eligibility criteria for qualifying office developments to 7,000 m<sup>2</sup>, and to clarify that CIL discounts for mixed use developments may be applied toward future high density residential developments, provided that they are constructed within the same subdivision or site plan; and
  2. That the draft By-law, as shown in Attachment 2 to the staff report be replaced with the By-law attached herein and that this By-law be brought forward for Council enactment.

#### **Recommendation**

The Chief Corporate Initiatives & Intergovernmental Relations; Deputy City Manager, Planning & Growth Management; and the Chief Financial Officer & City Treasurer, in consultation with the City Solicitor, the Director of Economic Development & Culture Services and Director of Financial Planning and Development Finance & Deputy City Treasurer recommend:

1. THAT a draft By-law, as shown in Attachment 1 to designate the Community Improvement Project Areas be brought forward for Council enactment;
2. THAT a draft By-law, as shown in Attachment 2 to adopt the Community Improvement Plan for the Vaughan Metropolitan Centre and Weston Road & Highway 7 Primary Centre be brought forward for Council enactment;
3. THAT Council adopt the resolution included as Attachment 3 to this report as Council's request to the Ministry of Municipal Affairs and Housing in support of the Community Improvement Plan (CIP);
4. THAT this resolution be communicated to the Region of York and that the Region be requested to prepare an office incentive program in support of Vaughan's CIP; and
5. THAT the communication and implementation strategy for the CIP detailed in this report be approved.

#### **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

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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**

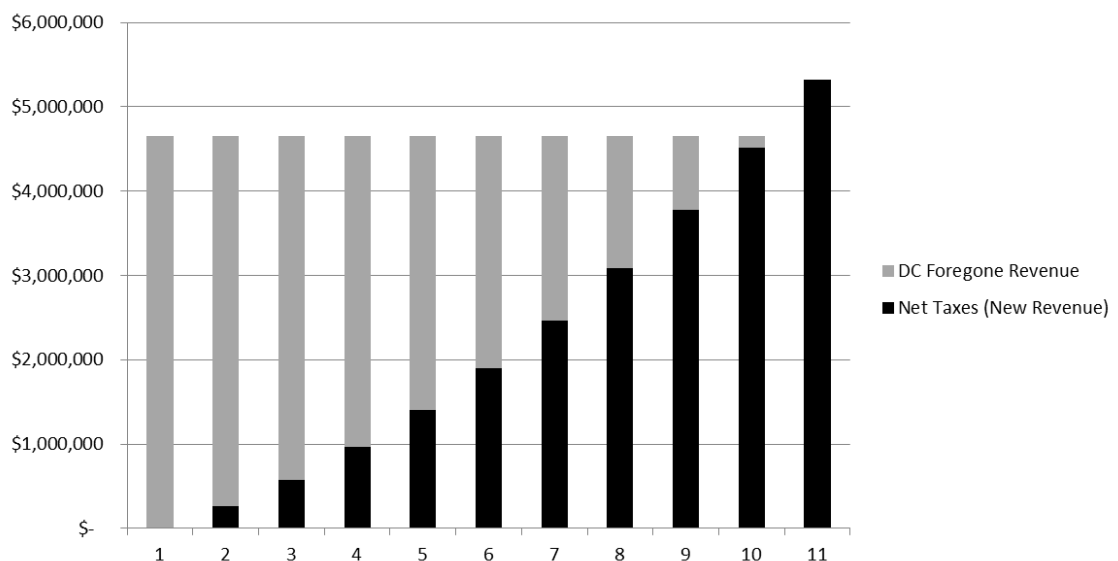
All costs associated with developing the Community Improvement Plan (CIP) have been budgeted within the Economic Development & Culture Services Department's Capital Budget EB-9535-14.

#### ***There are no significant impacts on existing residential taxpayers from funding this plan***

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. As per the Development Charge Act, forgone revenues related to development charge reductions may 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 are no restrictions, however, on which class of property tax must be used to fund the shortfall.

In order to avoid placing the burden of this incentive onto the residential tax base, Staff recommend that a payback strategy be implemented that will use tax assessment growth resulting from the new office developments that benefit from the CIP to recoup the foregone development charges. Some preliminary estimates suggest that the new office development will generate approximately \$865,000 of new property tax revenue annually once the Tax Increment Equivalent Grant (TIEG), is fully phased in. As this revenue generation begins to occur incrementally it can be used to pay back the development charge gap at the same rate that the new assessment is brought on board. Preliminary analysis suggests that this repayment could occur in as little as ten years as illustrated below:



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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. The tracking and matching of the new office property tax to the development charge discount funding will require a minor increase in administration, but can be accommodated within the existing resources of the Finance Office.

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. Although the property tax discounts will create a delay in when the City realizes the new property tax revenue, it could be argued that without the incentives being recommended in this report, the City may have never achieved the new office assessment. Therefore, this foregone revenue is considered to be a reasonable investment. An assessment of the CIL parkland reserve suggests that the recommended investment can be absorbed with minor impact to the parkland program. Staff will also work to develop alternative service delivery models which may further mitigate any minor impacts from the property tax grants and CIL Parkland exemptions.

#### **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](http://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](http://www.vaughan.ca/VMC/CIP).

Deputations and/or written submissions were received from the following at the Public Hearing:

- Ms. Paula Bustard, SmartREIT
- Mr. Marco Filice, Liberty Developments

Generally summarized, the deputants were supportive of the CIP. It was noted that SmartREIT requested that the City consider amending the qualification criteria to allow office developments equal to or greater than 7,000 square meters (75,347 square feet) to qualify for CIP incentives. SmartREIT also brought forward the notion of allowing land owners to "bank" unused CIL discounts for office-only developments, to be used toward future high density residential developments on the same lands and within the same ownership.

Staff will bring a Communication to this report directly to the November 3 Committee of the Whole meeting to respond to comments received from deputants at the October 7 public hearing. Any new or revised recommendations, including any necessary updates to the CIP and corresponding by-laws will be included in the Communication.

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#### **Purpose**

The purpose of this report is to seek approval from the Committee of the Whole for By-law xxx-2015 and By-law xxx-2015 in order to facilitate the implementation of a CIP for the Vaughan Metropolitan Centre and Weston & Highway 7 Primary Centre.

#### **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 to competing 905 office areas, notwithstanding the presence of a subway. While the subway was an advantageous 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.

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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, Hemson Consulting Ltd. and Urban Strategies Inc. (RFP # 14-286) was retained...

#### **CIP Study Methodology**

The methodology for constructing the CIP was 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).

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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 shift 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.

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#### ***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***

<b>North American Industrial Classification Code</b>	<b>Industry Sector</b>	<b>Industry Sub-sector Product/Service Description</b>	<b>Number of Businesses in Vaughan</b>	<b>Total Employment in Vaughan</b>
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

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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
<b>TOTAL</b>			<b>1,474</b>	<b>38,862</b>

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. Initially, these office development projects begin with the developer or landowner, but they quickly transform to become more 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 provide 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, although a CIP has not yet been completed; Markham is considering a CIP but has not yet implemented it. 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. With the approval of a CIP, Vaughan would establish itself as a leader in the GTA.

#### ***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 CIP. 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.



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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 CIP 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	<ul style="list-style-type: none"><li>• Mirror Region's 18 month DC deferral policy for office space in VMC only.</li><li>• This incentive was added to acknowledge the importance that the City places on the VMC.</li></ul>
Why is Weston/7 treated the same as VMC?	<ul style="list-style-type: none"><li>• This site is adjacent to VMC and shares many characteristics.</li><li>• Transit access provides an appropriate link to the VMC and is an excellent location for major office.</li></ul>
Why aren't GO stations included in CIP area?	<ul style="list-style-type: none"><li>• The Metrolinx plans are still being developed.</li><li>• The planning permissions are less refined (OP).</li><li>• The expectation is for high density residential in the short term.</li><li>• These locations can be added at a later date if it is deemed necessary down the road.</li></ul>

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<p>The City should continue to advocate for Regional participation</p>	<ul style="list-style-type: none"> <li>• The City will continue to advocate this point through a Council motion, once the CIP is approved.</li> <li>• The Region has the ability to implement a CIP to facilitate development.</li> <li>• The City's Consultants sent a memorandum to the Region to request participation which is attached as an appendix in the CIP report.</li> <li>• 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.</li> </ul>
<p>The City should continue to advocate for Provincial participation</p>	<ul style="list-style-type: none"> <li>• The City will continue to advocate this point through a Council motion.</li> <li>• A memorandum to the province will be drafted and sent through a council resolution, requesting support through any available incentive programs.</li> </ul>
<p>It may take longer than five years to reach 1.5M sq. ft. threshold</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p>What is the status of City's establishment of parking authority?</p>	<ul style="list-style-type: none"> <li>• Subject to budget deliberations, 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.</li> </ul>
<p>Consider exempting offices from s 37. if all parking is provided underground</p>	<ul style="list-style-type: none"> <li>• Staff feel that the program is adequate and balances the objectives of the strategy and the limitations on existing tax-based funding sources.</li> <li>• These types of concerns are being addressed by the City through Section 37 guidelines and the VMC Secondary Plan process.</li> </ul>
<p>Parking Ratio Requirements are too high; can this be addressed in the CIP?</p>	<ul style="list-style-type: none"> <li>• These ratios are driven by tenant demand.</li> <li>• The current ratios are believed to be reasonable and can be reassessed once the impact of TTC subway/VIVANext is better understood.</li> </ul>
<p>Will lost CIL revenue affect the City's ability to acquire parkland in the VMC?</p>	<ul style="list-style-type: none"> <li>• Developing quality parks in the VMC is very much a priority to the City, as they have a positive influence on placemaking.</li> <li>• 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.</li> </ul>
<p>Provide further emphasis on the macro benefits of the program</p>	<ul style="list-style-type: none"> <li>• These benefits are further outlined throughout the body of this report and the draft CIP Study.</li> </ul>

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Note the amount of qualifying office space under construction to date that will be included in the program retroactively	<ul style="list-style-type: none"><li>• 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.</li><li>• To reach the office size threshold, the qualifying area must be part of the same building permit.</li></ul>
Provide a note on the experience being leveraged from other municipalities	<ul style="list-style-type: none"><li>• The CIP study contains a survey of CIP policies from various locations throughout the GTA.</li><li>• Pro-forma comparisons between Vaughan and other office markets were done in previous studies to understand how Vaughan fits within the market.</li></ul>
Provide further information on the CIP Implementation and Marketing Plan	<ul style="list-style-type: none"><li>• The CIP Implementation and Marketing Plan is outlined in greater detail within this report.</li></ul>
What are the boundaries of the Community Improvement Project Areas?	<ul style="list-style-type: none"><li>• The community improvement project areas include both the VMC and the Weston Rd &amp; Highway 7 primary centre.</li><li>• The boundaries of these project areas are located on the maps provided in Appendix A of the draft CIP Study.</li></ul>

#### **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 draft Council resolution requesting Provincial participation has been written (see Attachment 3). This resolution can be sent to the Ministry of Municipal Affairs and Housing. 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:

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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, it 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

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timing and availability of funding. These other centres can be revisited as part of a future review of the CIP, and based on the province's timing and progress on the Barrie GO rail corridor and Yonge Street subway extension projects, as well as other provincial and regional infrastructure decisions and market factors.

***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
- 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.

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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 Hemson Consulting Ltd., Urban Strategies Inc. and 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 and 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.

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, in consultation with the Region and other agencies, will examine opportunities to streamline development approvals for office uses, which may save the developer and tenant(s) time and additional expense. Resource implications for the affected departments (e.g. Development Planning, Transportation and Engineering) and external agencies must be assessed prior to implementation.

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***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 and TIEG portion of the grants represent forgone revenues, rather than actual expenditures; however the DC grants will require funding over the long term such as 25 years. These funds will be budgeted as new office property tax assessment benefiting from this plan is brought on board to ensure that the new tax revenue funds the discount program and residential taxpayers are not burdened with this expense. 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
<b>Total Maximum Exposure</b>	<b>\$17.6 million</b>

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.

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**Phase 3: Implementation of the Community Improvement Plan**

***The enactment of the CIP by-law***

Following the Committee of the Whole Public Hearing, staff consolidated and reviewed the comments received from the public. This public input has been addressed and incorporated into the Final CIP Study Report and CIP By-law. 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 of Vaughan Council's decision. Assuming there are no appeals or unforeseen delays, the By-law is expected to take full effect by the beginning of 2016.

***Marketing and communications strategy***

The Economic Development & Culture Services 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 into 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, Financial Planning and Development Finance, Financial Services, Policy Planning & Environmental Sustainability, Development Planning and Economic Development & Culture Services Departments. Staff has undertaken the development of a process flowchart 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 139,355 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.



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#### **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 bulk of DCs and property tax for these types of developments. For example, the Regional component would account for approximately 77% of the overall DCs on a given office project. In order to achieve a more fulsome incentive approach the City will continue to advocate that the Region 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**

The Community Improvement Plan and associated By-laws if approved, will facilitate the offering of financial and planning tools to attract major office development for the VMC and the Weston Road & Highway 7 Primary Centre.

City Staff is satisfied that the requirements for a Community Improvement Plan as prescribed under Sect. 28 of the Planning Act have been met and can support the approval of the attached By-laws.

#### **Attachments**

1. By-law xxx-2015 - Community Improvement Plan By-law to designate the Community Improvement Project Areas
2. By-law xxx-2015 - Community Improvement Plan By-law to adopt the Community Improvement Plan for the Community Improvement Project Areas
3. Proposed Council Resolution – Supporting the Vaughan Metropolitan Centre

#### **Report prepared by:**

Shirley Kam, Senior Manager of Economic Development  
Brienne Clace, Senior Financial Analyst, Development Finance  
Michael Launslager, Economic Development Officer  
Mauro Peverini, Manager of Development Planning  
Lloyd Noronha, Director of Financial Planning and Development Finance & Deputy City Treasurer  
Roy McQuillin, Director of Policy Planning & Environmental Sustainability

(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.)

c 1
Communication
cw: Nov 3/15
Item: 11

**DATE:** NOVEMBER 3, 2015

**TO:** MAYOR AND MEMBERS OF COUNCIL

**FROM:** JENNIFER LADOUCEUR, DIRECTOR OF ECONOMIC DEVELOPMENT & CULTURE SERVICES  
LLOYD NORONHA, DIRECTOR OF FINANCIAL PLANNING & DEVELOPMENT FINANCE & DEPUTY CITY TREASURER  
JOHN MACKENZIE, DEPUTY CITY MANAGER, PLANNING AND GROWTH MANAGEMENT

**SUBJECT:** COMMUNICATION

**ITEM #11 – COMMITTEE OF THE WHOLE, REPORT NO. 40 – NOVEMBER 3, 2015**

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

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### **Recommendation**

The Director of Economic Development & Culture Services and the Director of Financial Planning & Development Finance & Deputy City Treasurer in consultation with the Deputy City Manager, Planning and Growth Management recommends:

1. That the report be modified to reduce the square footage threshold under the eligibility criteria for qualifying office developments to 7,000 m<sup>2</sup>, and to clarify that CIL discounts for mixed use developments may be applied toward future high density residential developments, provided that they are constructed within the same subdivision or site plan; and
2. That the draft By-law, as shown in Attachment 2 to the staff report be replaced with the By-law attached herein and that this By-law be brought forward for Council enactment.

### **Purpose**

This Communication responds to the input received at the Community Improvement Plan (CIP) public hearing held on October 7, 2015 and outlines staff's recommended changes to the CIP By-law to address stakeholder input.

### **Background**

Council has before it for consideration Item 11 of Report 40 of Committee of the Whole, titled "Community Improvement Plan for the Vaughan Metropolitan Centre and Weston Road & Highway 7 Primary Centre". Staff heard from deponents, including Mr. Michael Uster, Senior Vice President at Liberty Developments and Ms. Paula Bustard, Vice President (Development) at SmartREIT at the CIP Public Hearing meeting of October 7, 2015.

At the Public Hearing meeting Mr. Uster spoke in favour of the proposed CIP and requested additional support from the Region of York on providing incentives to support mixed use office development. City staff will continue to raise the need to consider further incentives to facilitate office development in their regular and ongoing meetings with Region of York staff.

In addition, at the Public Hearing meeting Ms. Paula Bustard, Vice President (Development) at SmartREIT provided three comments, paraphrased below:

1. The City should consider revising the eligibility criteria of office development projects from 10,000 square metres (107,639 square feet) to office development projects greater than or equal to 7,000 square metres (75,347 square feet);
2. The City should consider allowing land owners to use the high density residential Cash-in-Lieu of Parkland (CIL) discounts from a mixed-use development toward future high density residential developments on the same lands and within the same ownership; and
3. That the City should provide more clarity around the implementation process for the Community Improvement Plan (CIP) for applicants who have qualifying retroactive development projects.

This Communication provides additional information from Staff's review of Ms. Bustard's comments. Regarding Comment #1, Staff can support the eligibility threshold revision to 7,000 square metres as this would have little or no impact on the City's forgone revenues. The maximum financial exposure to the City would not change, since there is no revision to the overall 139,355 square metres (1.5 million square feet) cap of the CIP program. Furthermore, if additional office development projects can be attracted through the lower threshold, this would improve the image and attractiveness of the proposed Community Improvement Project Areas as they start to achieve a larger critical mass of projects on the ground. A larger group of projects would garner more investor and tenant confidence in the local market.

Regarding Comment #2, Staff can support the request to allow residential CIL discounts, on mixed use developments, to apply to future high density residential developments, provided that the residential development is constructed within the same subdivision or site plan and within the life of the CIP by-law. This approach still supports the notion of encouraging mixed-use development even if a phased approach is undertaken. This "banking" of CIL Parkland discounts will have no further financial impact than what was already considered through the staff report.

On the matter of Comment #3, Staff is preparing its implementation procedures in time for the launch of the program and will be sharing it with all potential applicants to ensure that there is a clear and simple process laid out for navigating through the CIP application process. Any questions related to specific developments will be addressed through the Economic Development & Culture Services Department.

Staff has revised the draft By-law in accordance with this memo, and recommends that it be brought forward for Council enactment.

### **Attachment**

1. By-law xxx-2015 - Community Improvement Plan By-law to adopt the Community Improvement Plan for the Community Improvement Project Areas

Respectfully submitted,



Jennifer Ladouceur  
Director of Economic Development &  
Culture Services



Lloyd Noronha  
Director of Financial Planning &  
Development Finance & Deputy City  
Treasurer



John MacKenzie  
Deputy City Manager  
Planning and Growth Management

- C     Steve Kanellakos, City Manager  
       Laura Mirabella-Siddall, Chief Financial Officer & City Treasurer  
       Tim Simmonds, Chief Corporate Initiatives & Intergovernmental Relations  
       Heather Wilson, City Solicitor

# ***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 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 November, 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.

**“Building Permit”** means the first building permit issued by the Chief Building Official authorizing the construction of the building or part of the building on the subject lands which triggers the payment to the City of the Regional and City development charges and education development charges. For the purposes of clarity, this includes Conditional or other building permits authorizing partial construction of the building including building permits for footings, foundations, superstructure, or partial building permits and does not include site servicing, plumbing only, and shoring and excavation permits that may be required as part of a site servicing permit.

**“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; and
- B. The Weston Road and Highway 7 Community Improvement Project Area.

**“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 relate. 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 the 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 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 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 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 7,000 square metres (75,347 square feet) of new office space as measured at the time of site plan and/or 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 Building Permit must be issued on or after January 1, 2014 and no later than the expiry of this By-law as determined in section 1.3.1.

## **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 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 Building Permit.

**1.5.3. Approval Letter**

- i. At the time of the issuance of the 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 Legal, Economic Development, Planning and Finance staff and registered on title to the property to which the financial programs relate 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 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 office development will be fully exempt from CIL contributions and; (ii) a site plan or plan of subdivision that includes both qualifying office development and high-density residential development will receive a discounted CIL requirement for the 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 unit 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 residential development within the same site plan or plan of subdivision.

**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. The qualifying high-rise residential development must have been issued a building permit on or after the date of issuance of the Building Permit for the qualifying office development, but no later than the expiry of this By-law.
- 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 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 % <sup>1</sup>	Net 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

<sup>1</sup> 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 deemed to be debt owing and must be repaid to the City by the Applicant.
- ii. Where such tax changes occur after grant amounts have been paid, future year grant entitlements may be reduced accordingly.  
Any rebate of municipal taxes paid to the property owner, including rebates related to Vacancy

or Tax Appeals, and/or Charity Rebates 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, in the last quarter of the year, through a cheque or account credit, provided that:
  - There are no outstanding taxes, work orders or other fees owed to the City with respect to the property;
  - There are no other outstanding terms or conditions or any violations of the executed Final CIP Agreement; and
  - In the case of a pending Assessment or Tax Appeal, the City reserves the right to withhold any forthcoming grants pending final disposition of the appeal(s).
- 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 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 Building Permit issuance.
- iii. Payment will be deducted from the Letter of Credit in full eighteen (18) months after the Building Permit is issued.

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

The Chief Corporate Initiatives & Intergovernmental Relations; Deputy City Manager, Planning & Growth Management; and the Chief Financial Officer & City Treasurer, in consultation with the City Solicitor, the Director of Economic Development & Culture Services and Director of Financial Planning and Development Finance & Deputy City Treasurer recommend:

1. THAT a draft By-law, as shown in Attachment 1 to designate the Community Improvement Project Areas be brought forward for Council enactment;
2. THAT a draft By-law, as shown in Attachment 2 to adopt the Community Improvement Plan for the Vaughan Metropolitan Centre and Weston Road & Highway 7 Primary Centre be brought forward for Council enactment;
3. THAT Council adopt the resolution included as Attachment 3 to this report as Council's request to the Ministry of Municipal Affairs and Housing in support of the Community Improvement Plan (CIP);
4. THAT this resolution be communicated to the Region of York and that the Region be requested to prepare an office incentive program in support of Vaughan's CIP; and
5. THAT the communication and implementation strategy for the CIP detailed in this report be approved.

**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 & Culture Services Department's Capital Budget EB-9535-14.

***There are no significant impacts on existing residential taxpayers from funding this plan***

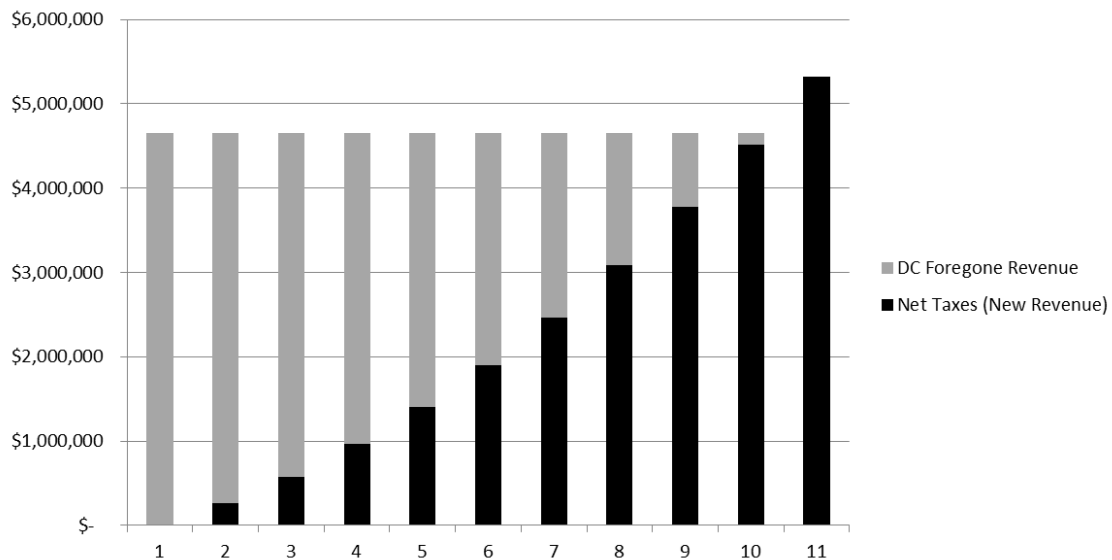
The financial exposure resulting from the enactment of the CIP has been estimated and is discussed within the body of the report. Upon enactment of the by-law to adopt the CIP, Council will also be approving an order of magnitude amount that will be invested into the program in accordance with the Plan.

Staff will report back annually on the program to provide information on the uptake of the CIP and associated investment by the City. As per the Development Charge Act, forgone revenues related to development charge reductions may 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 are no restrictions, however, on which class of property tax must be used to fund the shortfall.

In order to avoid placing the burden of this incentive onto the residential tax base, Staff recommend that a payback strategy be implemented that will use tax assessment growth resulting from the new office developments that benefit from the CIP to recoup the foregone development charges. Some preliminary estimates suggest that the new office development will generate approximately \$865,000 of new property tax revenue annually once the Tax Increment Equivalent Grant (TIEG), is fully phased in. As this revenue generation begins to occur incrementally it can be used to pay back the development charge gap at the same rate that the new assessment is brought on board. Preliminary analysis suggests that this repayment could occur in as little as ten years as illustrated below:



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. The tracking and matching of the new office property tax to the development charge discount funding will require a minor increase in administration, but can be accommodated within the existing resources of the Finance Office.

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. Although the property tax discounts will create a delay in when the City realizes the new property tax revenue, it could be argued that without the incentives being recommended in this report, the City may have never achieved the new office assessment. Therefore, this foregone revenue is considered to be a reasonable investment. An assessment of the CIL parkland reserve suggests that the recommended investment can be absorbed with minor impact to the parkland program. Staff will also work to develop alternative service delivery models which may further mitigate any minor impacts from the property tax grants and CIL Parkland exemptions.

### **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](http://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](http://www.vaughan.ca/VMC/CIP).

Deputations and/or written submissions were received from the following at the Public Hearing:

- Ms. Paula Bustard, SmartREIT
- Mr. Marco Filice, Liberty Developments

Generally summarized, the deputants were supportive of the CIP. It was noted that SmartREIT requested that the City consider amending the qualification criteria to allow office developments equal to or greater than 7,000 square meters (75,347 square feet) to qualify for CIP incentives. SmartREIT also brought forward the notion of allowing land owners to "bank" unused CIL discounts for office-only developments, to be used toward future high density residential developments on the same lands and within the same ownership.

Staff will bring a Communication to this report directly to the November 3 Committee of the Whole meeting to respond to comments received from deputants at the October 7 public hearing. Any new or revised recommendations, including any necessary updates to the CIP and corresponding by-laws will be included in the Communication.

### **Purpose**

The purpose of this report is to seek approval from the Committee of the Whole for By-law xxx-2015 and By-law xxx-2015 in order to facilitate the implementation of a CIP for the Vaughan Metropolitan Centre and Weston & Highway 7 Primary Centre.

### **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 to competing 905 office areas, notwithstanding the presence of a subway. While the subway was an advantageous 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, Hemson Consulting Ltd. and Urban Strategies Inc. (RFP # 14-286) was retained...

### **CIP Study Methodology**

The methodology for constructing the CIP was 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 shift 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***

<b>North American Industrial Classification Code</b>	<b>Industry Sector</b>	<b>Industry Sub-sector Product/Service Description</b>	<b>Number of Businesses in Vaughan</b>	<b>Total Employment in Vaughan</b>
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
<b>TOTAL</b>			<b>1,474</b>	<b>38,862</b>

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. Initially, these office development projects begin with the developer or landowner, but they quickly transform to become more 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 provide 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, although a CIP has not yet been completed; Markham is considering a CIP but has not yet implemented it. 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. With the approval of a CIP, Vaughan would establish itself as a leader in the GTA.

### ***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 CIP. 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 CIP 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.

<b>Comment/Question</b>	<b>Responses</b>
Consider adding further incentives for mandatory offices in VMC	<ul style="list-style-type: none"> <li>• Mirror Region's 18 month DC deferral policy for office space in VMC only.</li> <li>• This incentive was added to acknowledge the importance that the City places on the VMC.</li> </ul>
Why is Weston/7 treated the same as VMC?	<ul style="list-style-type: none"> <li>• This site is adjacent to VMC and shares many characteristics.</li> <li>• Transit access provides an appropriate link to the VMC and is an excellent location for major office.</li> </ul>
Why aren't GO stations included in CIP area?	<ul style="list-style-type: none"> <li>• The Metrolinx plans are still being developed.</li> <li>• The planning permissions are less refined (OP).</li> <li>• The expectation is for high density residential in the short term.</li> <li>• These locations can be added at a later date if it is deemed necessary down the road.</li> </ul>
The City should continue to advocate for Regional participation	<ul style="list-style-type: none"> <li>• The City will continue to advocate this point through a Council motion, once the CIP is approved.</li> </ul>
	<ul style="list-style-type: none"> <li>• The Region has the ability to implement a CIP to facilitate development.</li> <li>• The City's Consultants sent a memorandum to the Region to request participation which is attached as an appendix in the CIP report.</li> <li>• 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.</li> </ul>
The City should continue to advocate for Provincial participation	<ul style="list-style-type: none"> <li>• The City will continue to advocate this point through a Council motion.</li> </ul>
	<ul style="list-style-type: none"> <li>• A memorandum to the province will be drafted and sent through a council resolution, requesting support through any available incentive programs.</li> </ul>



It may take longer than five years to reach 1.5M sq. ft. threshold	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
What is the status of City's establishment of parking authority?	<ul style="list-style-type: none"> <li>Subject to budget deliberations, 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.</li> </ul>
Consider exempting offices from s 37. if all parking is provided underground	<ul style="list-style-type: none"> <li>Staff feel that the program is adequate and balances the objectives of the strategy and the limitations on existing tax-based funding sources.</li> <li>These types of concerns are being addressed by the City through Section 37 guidelines and the VMC Secondary Plan process.</li> </ul>
Parking Ratio Requirements are too high; can this be addressed in the CIP?	<ul style="list-style-type: none"> <li>These ratios are driven by tenant demand.</li> <li>The current ratios are believed to be reasonable and can be reassessed once the impact of TTC subway/VIVANext is better understood.</li> </ul>
Will lost CIL revenue affect the City's ability to acquire parkland in the VMC?	<ul style="list-style-type: none"> <li>Developing quality parks in the VMC is very much a priority to the City, as they have a positive influence on placemaking.</li> <li>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.</li> </ul>
Provide further emphasis on the macro benefits of the program	<ul style="list-style-type: none"> <li>These benefits are further outlined throughout the body of this report and the draft CIP Study.</li> </ul>
Note the amount of qualifying office space under construction to date that will be included in the program retroactively	<ul style="list-style-type: none"> <li>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.</li> <li>To reach the office size threshold, the qualifying area must be part of the same building permit.</li> </ul>
Provide a note on the experience being leveraged from other municipalities	<ul style="list-style-type: none"> <li>The CIP study contains a survey of CIP policies from various locations throughout the GTA.</li> <li>Pro-forma comparisons between Vaughan and other office markets were done in previous studies to understand how Vaughan fits within the market.</li> </ul>
Provide further information on the CIP Implementation and Marketing Plan	<ul style="list-style-type: none"> <li>The CIP Implementation and Marketing Plan is outlined in greater detail within this report.</li> </ul>
What are the boundaries of the Community Improvement Project Areas?	<ul style="list-style-type: none"> <li>The community improvement project areas include both the VMC and the Weston Rd &amp; Highway 7 primary centre.</li> <li>The boundaries of these project areas are located on the maps provided in Appendix A of the draft CIP Study.</li> </ul>

#### 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 draft Council resolution requesting Provincial participation has been written (see Attachment 3). This resolution can be sent to the Ministry of Municipal Affairs and Housing. 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, it 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, and based on the province’s timing and progress on the Barrie GO rail corridor and Yonge Street subway extension projects, as well as other provincial and regional infrastructure decisions and market factors.

### ***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

- 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 Hemson Consulting Ltd., Urban Strategies Inc. and 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 and 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.

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, in consultation with the Region and other agencies, will examine opportunities to streamline development approvals for office uses, which may save the developer and tenant(s) time and additional expense. Resource implications for the affected departments (e.g. Development Planning, Transportation and Engineering) and external agencies 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 and TIEG portion of the grants represent forgone revenues, rather than actual expenditures; however the DC grants will require funding over the long term such as 25 years. These funds will be budgeted as new office property tax assessment benefiting from this plan is brought on board to ensure that the new tax revenue funds the discount program and residential taxpayers are not burdened with this expense... 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
<b>Total Maximum Exposure</b>	<b>\$17.6 million</b>

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 consolidated and reviewed the comments received from the public. This public input has been addressed and incorporated into the Final CIP Study Report and CIP By-law. 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 of Vaughan Council’s decision. Assuming there are no appeals or unforeseen delays, the By-law is expected to take full effect by the beginning of 2016.

#### ***Marketing and communications strategy***

The Economic Development & Culture Services 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 into 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, Financial Planning and Development Finance, Financial Services, Policy Planning & Environmental

Sustainability, Development Planning and Economic Development & Culture Services Departments. Staff has undertaken the development of a process flowchart 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 139,355 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 bulk of DCs and property tax for these types of developments. For example, the Regional component would account for approximately 77% of the overall DCs on a given office project. In order to achieve a more fulsome incentive approach the City will continue to advocate that the Region 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**

The Community Improvement Plan and associated By-laws if approved, will facilitate the offering of financial and planning tools to attract major office development for the VMC and the Weston Road & Highway 7 Primary Centre.

City Staff is satisfied that the requirements for a Community Improvement Plan as prescribed under Sect. 28 of the Planning Act have been met and can support the approval of the attached By-laws.

**Attachments**

1. By-law xxx-2015 - Community Improvement Plan By-law to designate the Community Improvement Project Areas
2. By-law xxx-2015 - Community Improvement Plan By-law to adopt the Community Improvement Plan for the Community Improvement Project Areas
3. Proposed Council Resolution – Supporting the Vaughan Metropolitan Centre

**Report prepared by:**

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Respectfully submitted,

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Chief Financial Officer & City Treasurer



# ***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.

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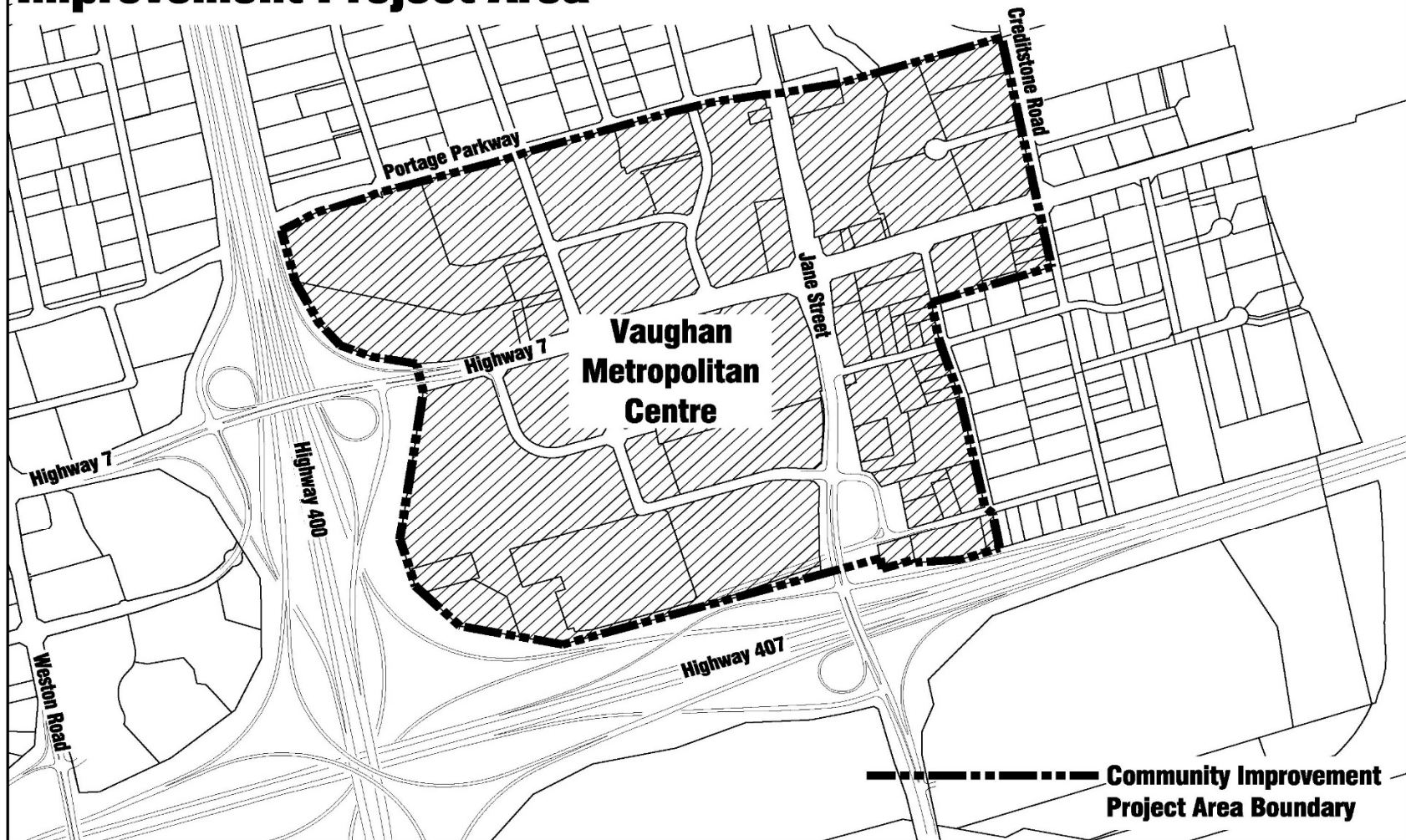
Hon. Maurizo Bevilacqua, Mayor

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Jeffery A. Abrams, City Clerk

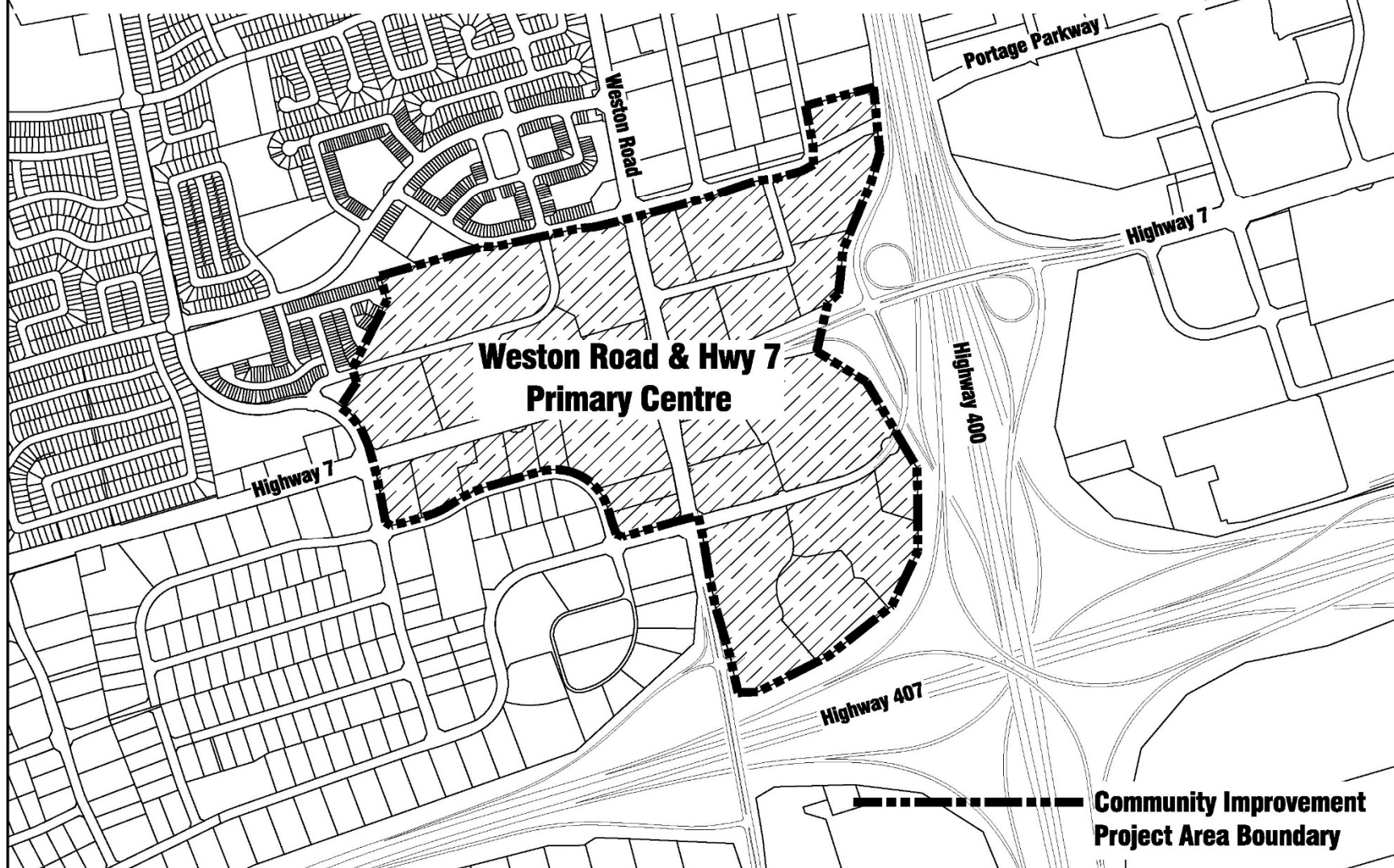
Schedule "A"  
Vaughan Metropolitan Centre

## Schedule A - Vaughan Metropolitan Centre Community Improvement Project Area



Schedule "B"  
Weston Road and Highway 7

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



# ***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 XXX-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 November, 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.

**“Building Permit”** means the first building permit issued by the Chief Building Official authorizing the construction of the building or part of the building on the subject lands which triggers the payment to the City of the Regional and City development charges and education development charges, for the purposes of clarity, this includes Conditional or other building permits authorizing partial construction of the building including building permits for Footings, Foundations, Superstructure, or partial building permits and does not include Site Servicing, Plumbing only, and shoring and excavation permits that may be required as part of a site servicing permit.

**“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 unit 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 % <sup>1</sup>	Net 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

<sup>1</sup> 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.

**Proposed Council Resolution – Supporting the Vaughan Metropolitan Centre**

WHEREAS the Vaughan Official Plan 2010 recognizes and promotes the hierarchy of land uses that identifies the significance of regional centres (urban growth centres) and primary centres as major intensification areas consistent with the requirement of the Regional Official Plan and the Growth Plan for the Greater Golden Horseshoe;

AND WHEREAS the Vaughan Metropolitan Centre Secondary Plan and the Weston Road & Highway 7 Primary Centre represent the City's major focus for intensification and the basis for a major mixed-use downtown and associated node;

AND WHEREAS the attraction of major office uses to create a fully functioning mixed-use environment will be critical to the success of the Vaughan Official Plan 2010;

AND WHEREAS the City of Vaughan intends to pass a By-Law enabling the implementation of a Community Improvement Plan (CIP);

NOW THEREFORE BE IT RESOLVED that Council of the Corporation of the City of Vaughan requests that the Ministry of Municipal Affairs and Housing give consideration to the following:

1. THAT the Province consider participating in the CIP program through education tax grants under the Tax Increment Financing Act, 2006 or CIP grants under Section 30 of the Planning Act, 1990; and
2. THAT the Province work with the City of Vaughan to identify grants and/or programs to advance office development in urban growth centres to achieve provincial population and employment targets.

# ***THE CITY OF VAUGHAN***

# ***BY-LAW***

## **BY-LAW NUMBER 176-2015**

**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 June 11, 2015 the Vaughan Metropolitan Centre Sub-Committee 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 7, 2015 the Committee of the Whole received the “*Community Improvement Plan for Office Uses in Two Community Improvement Project Areas*”;

AND WHEREAS on October 7, 2015 a public meeting was held in accordance with Section 28 of the *Planning Act* to consider the community improvement project areas to be designated;



NOW THEREFORE the Council of The Corporation 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 City of Vaughan Council this 17<sup>th</sup> day of November, 2015.

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Hon. Maurizio Bevilacqua, Mayor

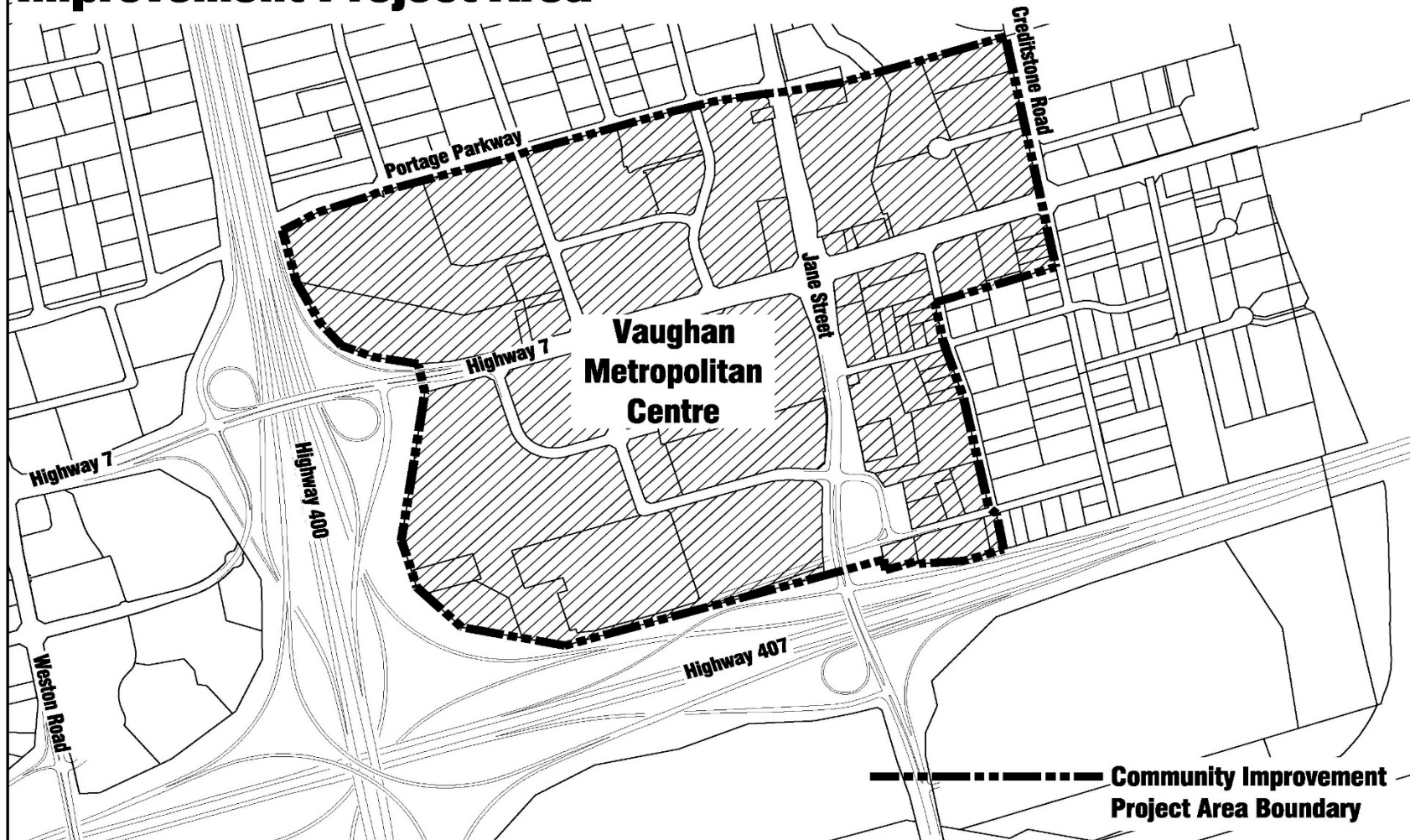
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Jeffrey A. Abrams, City Clerk

Authorized by Item No. 11 of Report No. 40  
of the Committee of Whole  
Adopted by Vaughan City Council on  
November 17, 2015

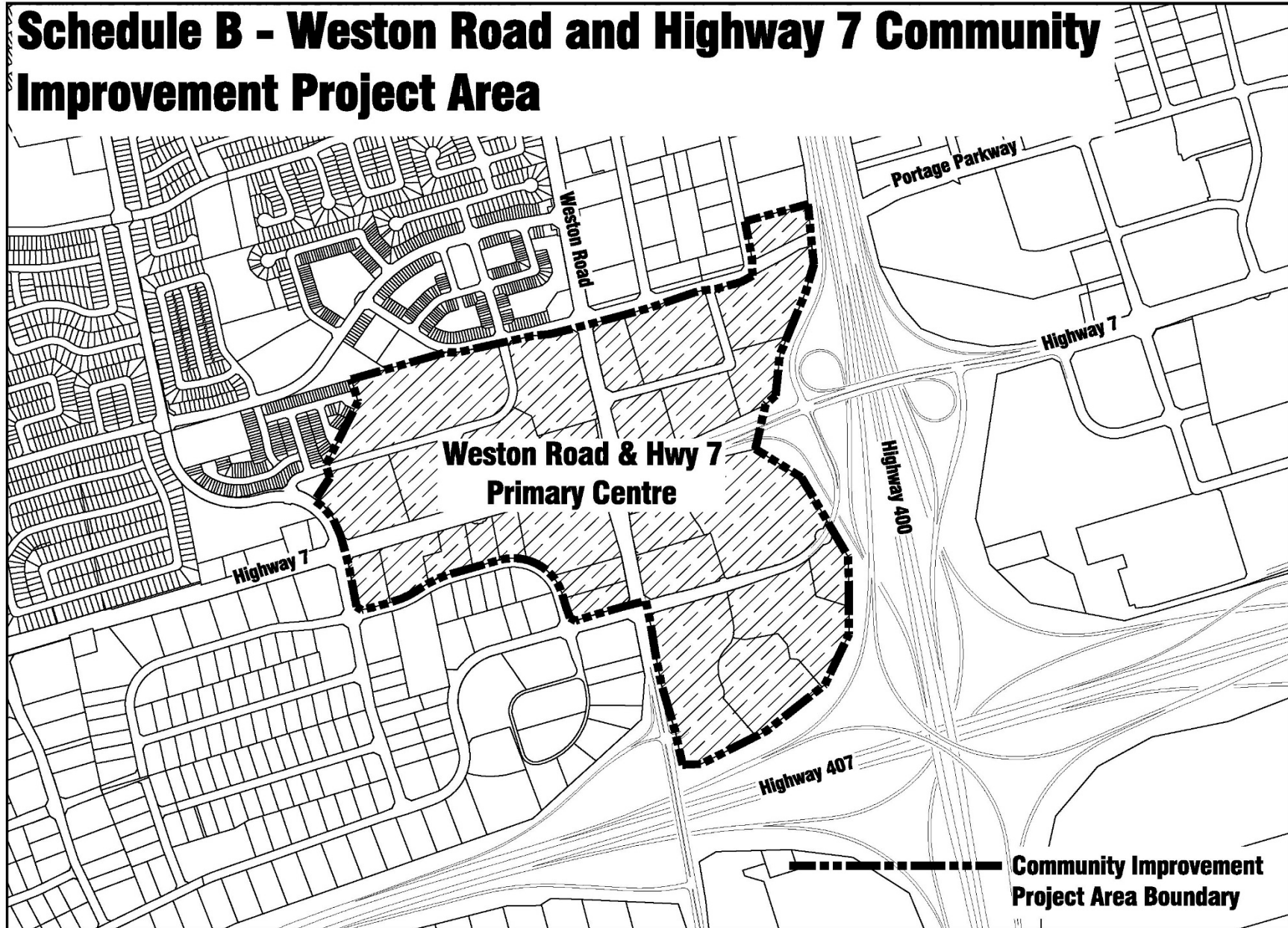
Schedule "A"  
Vaughan Metropolitan Centre

# Schedule A - Vaughan Metropolitan Centre Community Improvement Project Area



Schedule "B"  
Weston Road and Highway 7

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



# ***THE CITY OF VAUGHAN***

# ***BY-LAW***

## **BY-LAW NUMBER 177-2015**

**A by-law to designate the general terms and conditions for the implementation of the Community Improvement Project with respect to the 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, 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 177-2015 was passed by the Council of the City of Vaughan designating the “Vaughan Metropolitan Centre” and “Weston Road and Highway 7” areas as Community Improvement Project Areas;

AND WHEREAS on October 7, 2015 a public meeting has been held in accordance with Section 28 of the *Planning Act*;

NOW 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 177-2015.
2. This By-law shall come into force and take effect on the day of the final passing thereof.

Enacted by City of Vaughan Council this 17<sup>th</sup> day of November, 2015.

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Hon. Maurizio Bevilacqua, Mayor

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Jeffrey A. Abrams, City Clerk

Authorized by Item No. 11 of Report No. 40  
of the Committee of Whole  
Adopted by Vaughan City Council on  
November 17, 2015

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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.

**“Building Permit”** means the first building permit issued by the Chief Building Official authorizing the construction of the building or part of the building on the subject lands which triggers the payment to the City of the Regional and City development charges and education development charges. For the purposes of clarity, this includes Conditional or other building permits authorizing partial construction of the building including building permits for footings, foundations, superstructure, or partial building permits and does not include site servicing, plumbing only, and shoring and excavation permits that may be required as part of a site servicing permit.

**“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; and
- B. The Weston Road and Highway 7 Community Improvement Project Area.

**“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 relate. 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 the 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 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 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 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 7,000 square metres (75,347 square feet) of new office space as measured at the time of site plan and/or 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 Building Permit must be issued on or after January 1, 2014 and no later than the expiry of this By-law as determined in section 1.3.1.

## **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 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 Building Permit.

### **1.5.3. Approval Letter**

- i. At the time of the issuance of the 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 Legal, Economic Development, Planning and Finance staff and registered on title to the property to which the financial programs relate 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 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 office development will be fully exempt from CIL contributions and; (ii) a site plan or plan of subdivision that includes both qualifying office development and high-density residential development will receive a discounted CIL requirement for the 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 unit 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 residential development within the same site plan or plan of subdivision.

### **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. The qualifying high-rise residential development must have been issued a building permit on or after the date of issuance of the Building Permit for the qualifying office development, but no later than the expiry of this By-law.
- 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 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 % <sup>1</sup>	Net 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

<sup>1</sup> 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 deemed to be debt owing and must be repaid to the City by the Applicant.
- ii. Where such tax changes occur after grant amounts have been paid, future year grant entitlements may be reduced accordingly.  
Any rebate of municipal taxes paid to the property owner, including rebates related to Vacancy or Tax Appeals, and/or Charity Rebates 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, in the last quarter of the year, through a cheque or account credit, provided that:
  - There are no outstanding taxes, work orders or other fees owed to the City with respect to the property;
  - There are no other outstanding terms or conditions or any violations of the executed Final CIP Agreement; and
  - In the case of a pending Assessment or Tax Appeal, the City reserves the right to withhold any forthcoming grants pending final disposition of the appeal(s).
- 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 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 Building Permit issuance.
- iii. Payment will be deducted from the Letter of Credit in full eighteen (18) months after the Building Permit is issued.