

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 4, Report No. 3, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 19, 2013.

4 2013 DEVELOPMENT CHARGE BY-LAW REVIEW UPDATE

The Finance and Administration Committee recommends:

- 1) That the presentation by the Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments, and C2, presentation material, entitled “2013 Development Charge Review”, dated February 11, 2013, be received;**
- 2) That the following deputations be received:**
 - 1) Ms. Audrey Jacob, IBI Group, Richmond Street West, Toronto, representing the Building Industry and Land Development (BILD) Association;**
 - 2) Mr. Chris Atkins, SmartCentres, Applewood Crescent, Vaughan; and**
 - 3) Mr. Marco Filice, representing Liberty Development Corporation, Steelcase Road, West, Markham;**
- 3) That Communication C1, from Ms. Paula Bustard, SmartCentres, Applewood Crescent, Vaughan, dated February 8, 2013, be received;**
- 4) That a detailed analysis of the issue of incenting the development of office buildings in the City of Vaughan be undertaken with the goal of developing a comprehensive strategy on this matter;**
- 5) That the analysis include considering the widest range of financial and other tools available to attract office development in order to provide the City of Vaughan with a competitive advantage in the future;**
- 6) That the draft strategy be considered at a future Committee of the Whole (Working Session) meeting, and that the final report be presented to Council by June 2013; and**
- 7) That the following report of the Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments, dated February 11, 2013, be received.**

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments recommend:

That the presentation and report “2013 Development Charge By-law Review Update” be received.

Contribution to Sustainability

The objective of Development Charges collection is to fund and construct new public infrastructure for new growth population, sustaining the same level of service experienced by that of the existing population.

Economic Impact

There is no economic impact associated with this report; however, the purpose of updating the City's Development Charge By-law is to make every effort to ensure that growth-related infrastructure is paid for by the development requiring the service.

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Communications Plan

Two stakeholder workshops have taken place with the development industry:

1. Workshop #1 - April 4, 2012
2. Workshop #2 - January 25, 2013

The workshops included members of the Building Industry and Land Development Association (BILD) as well as representatives from SmartCentres. In between those workshops several correspondences, extensive exchange of detailed background data, and a meeting took place to discuss the technical aspects of the draft calculations. It is anticipated that ongoing correspondence, meetings and collaboration will continue until the release of the draft Background Study.

The Development Charges Act has mandatory communication requirements around advertising of at least one public meeting that will be scheduled once the consultative process with the development industry is nearing completion.

Purpose

The purpose of this report is to provide Council with an update regarding the review of the City's Development Charge By-law that is currently underway.

Background - Analysis and Options

As reported in the previous update to Finance & Administration Committee on May 14, 2012, the City of Vaughan's current Development Charge By-law #230-2008 expires on September 22, 2013. The by-law update began in late 2011 with draft calculations produced by mid-2012. These preliminary rates were shared with members of Finance & Administration Committee through the May 14, 2012 report. For the 3rd and 4th quarters of 2012 the City engaged in a consultative process with the development industry.

City Wide Charges

A City Wide development charge is calculated on the basis that new infrastructure emplaced city-wide benefits the growth that is occurring city-wide. For instance, one new park may be built in one area of the City, but it benefits the growth that is occurring city wide. The majority of capital costs are collected for on a city wide basis. City Wide charges include two types of services: General Services and Engineered Services.

General Services

Eligible general services (or soft services) include the following:

- General government – Studies
- Library Services
- Fire and Rescue Services
- Indoor Recreation
- Parks Development and Facilities
- Public works: Building and Fleet

Cost recovery for general services for the next 10 year period is limited to the average service level provided by the City for the previous 10 year period. In addition, all of the general services, with the exception of Fire and Rescue Services, can only be funded to a maximum of 90% from development charges.

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Engineered Services

Engineered Services are not subject to the same type of service level limitation or the 90% maximum funding limit as the General Services, unless there is a benefit to the existing community. The Engineered Services program includes planned projects out to the current planning horizon of 2031. Engineered Services (or hard services) under the City Wide charge recover the cost of roads and related infrastructure. These costs include recoveries for the following types of infrastructure:

- Road construction
- Road related studies
- Sidewalks and street lighting
- Urban design of roads
- Signalization

Special Area Charges (SACs)

SACs recover costs of infrastructure located in, and benefiting, a specific area. For instance, if a piece of infrastructure is constructed that is deemed to only benefit a specific geographic area (e.g. a sanitary sewer line that services only specific blocks of subdivisions) then this cost is more appropriately borne by only the growth in that area rather than by growth occurring city wide. SACs can vary significantly depending on the amount of benefiting land to share and the cost of the specific infrastructure. SACs are currently used to recover the following types of Engineered Services:

- Water mains
- Wastewater
- Select Storm Drainage Facilities

Proposed Transfers from SACs to City Wide Charges

It was noted on the May 14, 2012 report that a review was being undertaken as to what costs should remain as a SAC and which should be moved to the City Wide charge. City staff consulted with BILD on this matter, however the industry has not provided a unified position on this issue and it is anticipated that this will not occur before the end of the by-law review. Adding potential SAC infrastructure to the City Wide charge achieves two goals from the City's perspective:

1. It provides recognition to the fact that these pieces of infrastructure provide a city wide benefit, and
2. Administration of the by-law is simplified.

Based on the above, staff drafted tentative rates with the following works transferred from the potential SAC project list to the City Wide Charge included in the draft Background Study:

- Water mains
- Black Creek Works

These works can be justified as having a city wide benefit and therefore the cost of such infrastructure should be recovered through the growth occurring on a city wide basis. The Water mains referred to above include the city-wide network of water mains currently required to service growth until build out. In addition a portion of the total costs of the Black Creek Works are proposed to be included in the City wide charge.

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Although BILD is not taking a position on this matter, staff have recently started to receive letters from a number of individual developers requesting a City-wide approach to engineered service costs that also includes sanitary sewers, sanitary pumping stations and force mains.

Draft Tentative City Wide Rates

Hemson Consulting Ltd was retained to prepare the updated Development Charge Background Study utilizing data provided by City departments, growth forecasts and projected capital programs. Initial preliminary costs and rates were developed and shared with the development industry and members of the Finance & Administration Committee in the May 14, 2012 report. Those estimates showed an approximate 100% increase in the rates. Inclusions and exclusions in the City Wide charge versus SACs were not addressed at that time.

Since the spring of 2012 several updates have occurred to the draft data that have had the effect of decreasing the “2012 Preliminary” rates to the currently calculated “2013 Tentative” rates. The three largest effects have been from the following:

1. Reduction: Proposed uploading of the King/Vaughan Side Road to the Region of York (\$180 million)
2. Reduction: Recognition that 50% of Kirby Road (\$71 million) should be removed from the horizon period for purposes of calculating the rates as it has a benefit to growth occurring after the horizon year (2031)
3. Addition: Water mains (\$87 million) and Black Creek Works (\$25 million) transferred from potential SACs to the City Wide Charge

The following tables show the current rates, draft tentative rates and the percentage increase for City Wide Charges on a Single Detached Home (per unit) and Non-Residential (per Sq.M.).

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Draft Tentative Rates on a Single Detached Home (Per Unit)

Service Category	Current Rate	Draft Tentative Rate	% Diff
General Government	\$ 308.44	\$ 318.68	3%
Library Services	\$ 768.62	\$ 969.62	26%
Fire and Rescue Service	\$ 337.30	\$ 620.04	84%
Indoor Recreation	\$ 3,836.50	\$ 4,798.50	25%
Park Development & Facilities	\$ 2,658.01	\$ 3,468.74	31%
Public Works: Buildings and Fleet	\$ 337.30	\$ 529.51	57%
SUB-TOTAL GENERAL SERVICES	\$ 8,247.00	\$ 10,705.09	30%
City Wide Roads and Related	\$ 4,380.00	\$ 9,776.66	123%
King Vaughan Road	\$ -	\$ -	
50% of Kirby Road	\$ -	\$ 1,507.05	
City Wide Water	\$ -	\$ 1,622.49	
Black Creek Works	\$ -	\$ 458.26	
SUB-TOTAL ENGINEERING	\$ 4,380.00	\$ 13,364.46	205%
TOTAL CHARGE	\$ 12,627.00	\$ 24,069.55	91%

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Draft Tentative Rates on a Non-Residential Space (Per Sq.M.)

Service Category	Current Rate	Draft Tentative Rate	% Diff
General Government	\$ 0.81	\$ 1.21	50%
Fire and Rescue Service	\$ 0.81	\$ 2.55	216%
Public Works: Buildings and Fleet	\$ 1.41	\$ 2.14	51%
SUB-TOTAL GENERAL SERVICES	\$ 3.03	\$ 5.90	95%
City Wide Roads and Related	\$ 17.16	\$ 36.02	110%
King Vaughan Road	\$ -	\$ -	
50% of Kirby Road	\$ -	\$ 5.97	
City Wide Water	\$ -	\$ 6.43	
Black Creek Works	\$ -	\$ 1.82	
SUB-TOTAL ENGINEERING	\$ 17.16	\$ 50.24	193%
TOTAL CHARGE	\$ 20.19	\$ 56.14	178%

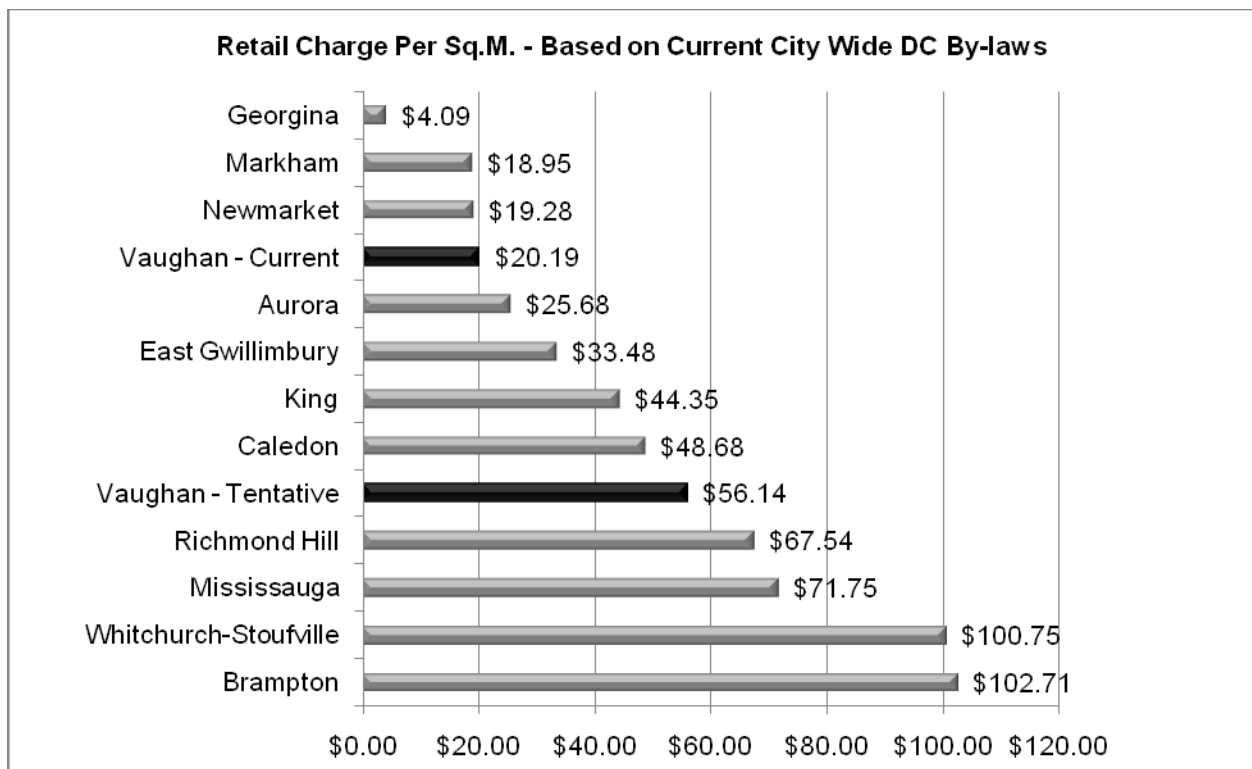
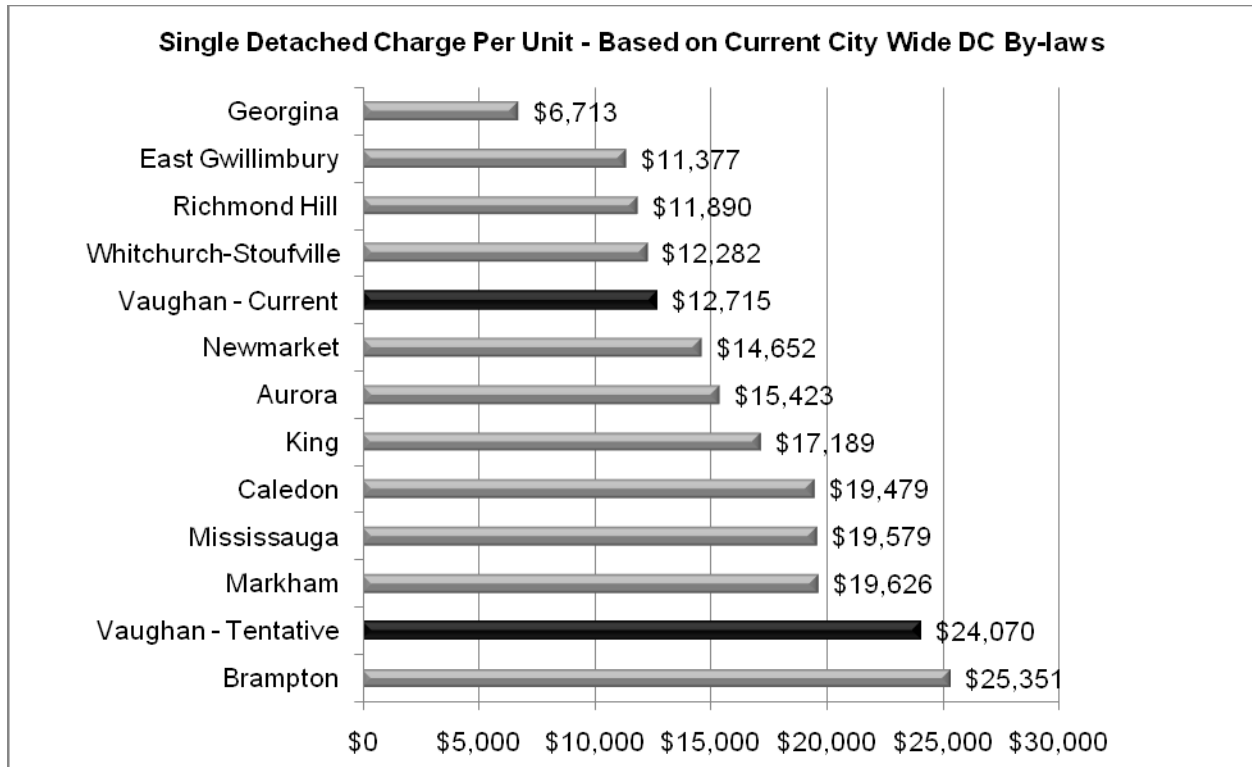
Comparisons to Other Municipalities

The following tables show the comparison between the City's current and tentative rates for Single Detached homes and Retail space as compared to municipalities in York and Peel regions. It should be noted that the majority of these municipalities are also undergoing development charge by-law reviews and their rates may be increasing. Furthermore, comparisons between municipalities within York do not include comparison provisions for area specific charges (SACs), nor does the comparison to Peel municipalities account for differences in upper/lower tier service division.

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Draft SAC Rates

Draft SAC rates are still in the process of being calculated by staff and will be available upon the release of the Background Study. The draft SAC rates will continue to include wastewater and select storm water management facilities. The existing SAC by-laws will be proposed to be renewed, with one of them being modified slightly. One new SAC will be proposed for a completed sanitary trunk, the details of which will be released with the draft Background Study. Other new SAC by-laws will be proposed as the infrastructure is completed over time. The details of this will also be included in the draft Background Study.

Policy Discussion

Several policy items are the topics of ongoing discussions with the development industry. Staff are working towards resolutions on many of these issues and will include recommendations for Council's consideration upon release of the Background Study. A brief description of some items is included below.

Engineering Services - "Benefit to Existing"

A "Benefit to Existing" is a treatment within the development charge funding model that assigns a portion of the cost of new infrastructure to the existing population. The reason for this apportionment is to recognize that sometimes new infrastructure not only benefits the new population, but also the existing population. For instance, in the Fire and Rescue Services program there is an apportionment of the costs associated with the relocation of Station 7-3 as a "Benefit to Existing" in recognition of the fact that a large portion of the new station was already in service previously at the old location. This portion of the new building (on a square footage basis) is not funded through development charges, but rather is funded through taxation because it is not benefiting growth and is continuing to service the existing residents/businesses. The additional square footage, over and above the old station, is recovered through development charges as it is deemed to be servicing the new residents/businesses. This methodology is being illustrated only to show the theoretical cost allocation method and by no means is meant to represent the practical operations of the station.

The development industry has requested that the City consider giving "Benefit to Existing" recognition in its Engineered Services program. The City's practice in all previous by-laws has been to consider all new infrastructure within its Engineered Services program as benefiting only new population. Recognizing a "Benefit to Existing" has a financial impact as it would require the City to fund a portion of the Engineered Services program through a source other than that of Development Charges (e.g. the tax base). Some municipalities such as the Region of York generally recognize a 10% "Benefit to Existing" on their development charge roads program. If the City adopted this type of policy it could have up to a \$70 - \$100 million shift of cost to be recovered from the tax base, affecting the City's annual tax levy increases and impacting the pace of the Engineered Services capital program.

Roads Program – "Post Period Benefit"

As mentioned earlier in this report, City staff are proposing to recognize a portion (50%) of Kirby Road as having a benefit beyond the 2031 horizon date of the draft Background Study, otherwise known as a "Post Period Benefit". The development industry purports that a greater proportion of the roads program could be considered "Post Period Benefit". The financial impact of making this recognition reduces City cash flow by deferring the recovery of those funds until future by-law periods, however the ability to collect for the infrastructure is not lost.

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Differentiated Apartment Rates

Currently the City has one rate for apartments, regardless of the size of the unit. Several municipalities in the GTA (including York Region) provide a differentiated rate for large and small apartments. Some municipalities make this distinction based on the number of bedrooms and others by the square footage of the unit. City staff are generally in agreement with the industry that a differentiated rate is justified in that the average Persons Per Unit (PPU) differs between large and small apartments and therefore the charge should be different. This recognition also helps to promote density by creating a more equitable charge. There is no financial impact of introducing a differentiated rate as the costs are re-distributed proportionally between large and small apartments based on the average PPUs for each type of unit. City staff and the development industry are having ongoing discussions about the criteria of what constitutes a large versus a small apartment (e.g. square footage thresholds).

Non-Residential / High Density Residential Mixed Use Rate

The development industry has requested that the City consider a differentiated rate for the non-residential portion of a mixed use development (non-residential / high density residential). Currently, the City of Markham provides this differentiated rate. The development industry purports that the lower rate for the non-residential portion of mixed use developments would help to promote the type of urbanized higher density environment that the City seeks to promote, such as the developments in the Vaughan Metropolitan Centre. City staff tend to agree with the premise, however more research on the topic is required and any potential financial impacts are yet to be determined.

Office Rate

The development industry has requested that the City consider a discounted rate for office development. City staff will continue discussions, however funding discounts of this nature through higher development charges for other types of development is specifically prohibited by the Development Charges Act. This means that any discount provided would require funding from a source other than development charges (e.g. tax base). City staff believe that any such discount program may be more appropriately considered under an economic development context and not through the development charge by-law(s). It should be noted that the Region of York does not currently provide a differentiated rate for office development and their charge currently comprises 89% of the total development charge on this type of development. The table below shows the current rate structure and the tentative rate structure (without a discounted City charge for office).

	Current Rate (Per Sq.M.)	Tentative Rate (Per Sq.M.)
City of Vaughan	\$20.19	\$56.14
Region of York	\$207.29	\$207.29
Boards of Education (Combined)	\$5.60	\$5.60
Total	\$233.08	\$269.03

Credits for Sustainable “Green” Development

The development industry has requested that the City consider providing discounts or credits for developing buildings that have sustainable/green features (e.g. LEED certification, water cisterns, solar power, etc.). Staff certainly support such types of development, however in much the same

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way as an office discount, any program of this nature would require funding from another source (e.g. tax base) and may belong in an environmental sustainability program rather than the development charge by-law(s).

Transition / Phase-in Measures

The development industry has requested that the City provide a phase-in or transition on the proposed rate increase. City staff are giving this issue due consideration before providing Council with any recommendations. A straight forward phase-in of the rate (e.g. 25% of the increase every 6 months or similar treatment) may have a financial impact. For any revenue foregone during the phase-in period the City may be required to fund this through a source other than development charges (e.g. tax base). City staff have been considering another approach that is allowed under the Development Charges Act. Separating the City Wide charges in to individual by-laws would allow the City to stagger their effective dates. Under this model the charges might be separated in to the following by-laws: General Services, City Wide Roads & Related, Kirby Road, Water mains and Black Creek Works. All the by-laws would be enacted at the same time, however their effective dates would be staggered over a range of time (e.g. 3 months, 6 months and 9 months) to smooth the impact of the overall increase on the development industry. Other transition measures are also being considered by staff and further recommendations will be provided with the release of the Background Study.

Process Going Forward

City staff will continue to meet and consult with the development industry regarding technical issues, the draft tentative rates and policy issues. The anticipated milestone dates leading up to the new by-law enactment are as follows:

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

Relationship to Vaughan Vision 2020/Strategic Plan

Not applicable

Regional Implications

The City placed a formal request to the Region to assume responsibility for the construction of the King/Vaughan Side Road, Kirby Road and portions of Pine Valley Drive. The Region has accepted responsibility for King/Vaughan Side Road based on some conditions and will continue to consider Kirby Road and Pine Valley Drive after environmental assessments have been completed. City staff will continue to work with the Region towards this transfer within the respective capital programs.

Conclusion

The draft tentative rate for a Single Detached Home is increasing by 91% and the tentative rate for non-residential space is increasing by 178%. Consultation with the development industry is ongoing and several policy issues are being considered in further depth to ensure that Council is presented with a revised by-law that is fiscally responsible, protects existing taxpayers and responds to the evolving environment surrounding the development industry. It is currently anticipated that the release of the draft DC Background Study and the public statutory meeting will occur in March and April respectively, with new by-law(s) in place by May.

Attachments

Not applicable.



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ITEM (905) 760-6202 4

February 8, 2013

Ms. Barbara Cribbett
Commissioner of Finance and City Treasurer
City of Vaughan
City Hall
2141 major Mackenzie Drive
Vaughan, ON L4A 1T1

Dear Ms. Cribbett:

Thank you again for providing us with the information on the proposed City of Vaughan Development Charges By-law to be renewed in June 2013 and the opportunity to voice our comments and concerns on the proposal.

We urge the City of Vaughan to consider policies under the implementation of the development charge by-law that will encourage office development in the VMC. The VMC is poised to be the most important Urban Growth Node within the Province due to the significant infrastructure investment for the Spadina York Subway Extension. VMC is projected to be home to over 25,000 residents and 12,000 jobs in the coming decades. The development opportunities presented by the arrival of the subway in Vaughan cannot be overstated; however, even with this consideration, there are significant financial challenges that make corporate office developments in the VMC less competitive when comparing them to opportunities in other GTA municipalities.

The urban nature of the proposed VMC development, in conjunction with the utilization of various modes of rapid transit, are both reasons we feel the City of Vaughan should give consideration to unique DC policies for the VMC. The form and function of development within the VMC will be significantly different from development in other parts of Vaughan. We do not feel that the background study adequately takes this into consideration.

When analyzing current market rents for office buildings in Vaughan in conjunction with consideration of the cost of construction (including significant development charges) in the VMC, it will be extremely challenging to achieve a positive return from office development in the VMC. It is to be noted that unlike residential models, whereby DCs are passed onto the buyer, office developments models are structured such that development charges are a cost absorbed by the project and cannot be passed onto commercial tenants, thus diminishing the success and viability of a project.

We respectfully request that you explore other policies within the development charge by-law that will attract office tenants to the VMC as opposed to the proposed development charge by-law which will be an almost insurmountable barrier to attracting major office tenants to Vaughan's exciting new downtown.

Sincerely,

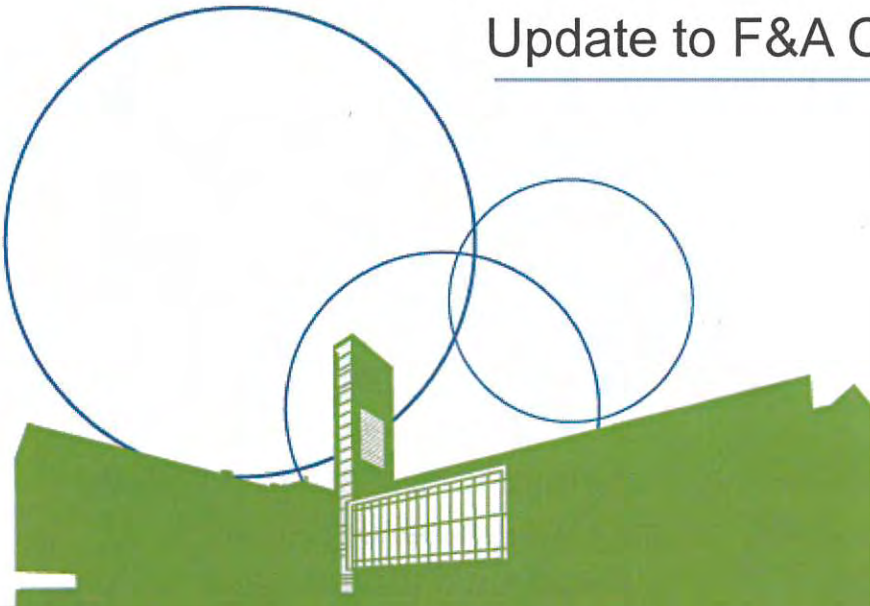

Paula Bustard
Senior Director, Land Development

c.c Mayor Maurizio Bevilacqua and Council

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2013 DEVELOPMENT CHARGE REVIEW

Update to F&A Committee – February 11, 2013



Presentation Overview

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



1. Overview of Development Charges Act

Intent of the Development Charges Act, 1997 (DCA)

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



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1. Overview of Development Charges Act

Limitations of the DCA

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



2. Current Development Charge By-laws

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

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



3. Stakeholder Consultation

Consultation has been ongoing with the Development Industry

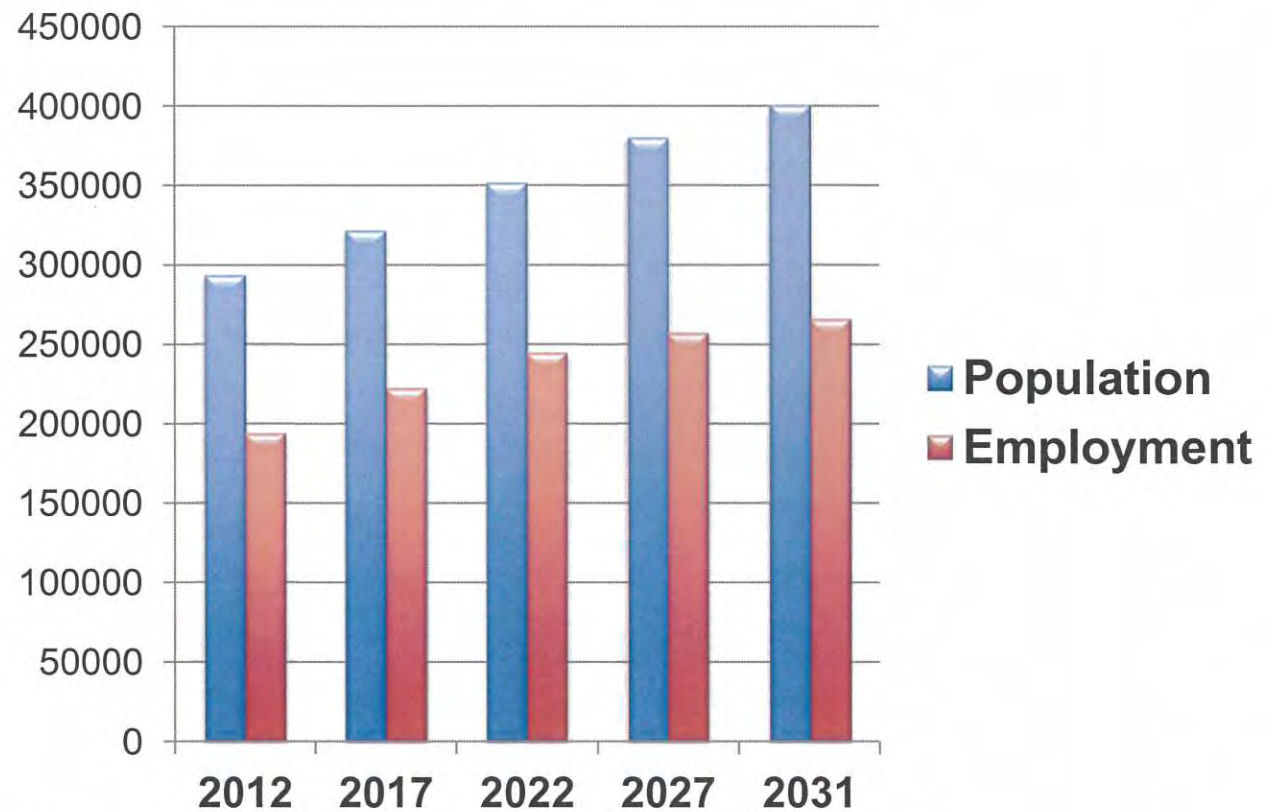
- 1st Stakeholder Consultation Workshop took place on April 4, 2012 with the Building Industry and Land Development Association (BILD)
- Technical and Policy related correspondence and smaller group meetings have been ongoing since 1st workshop
- 2nd Stakeholder Consultation Workshop took place on January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



4. Growth Forecast

Growth assumptions used in draft Background Study

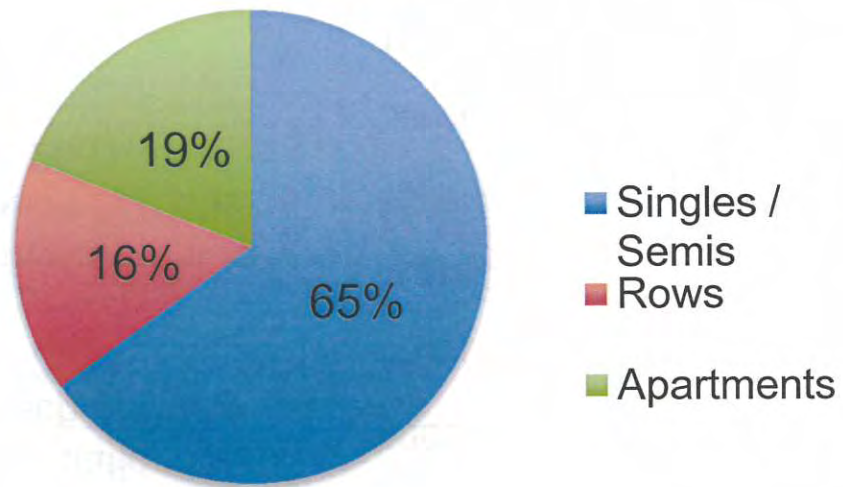
- Population to reach 400,871 by 2031
- Employment to reach 266,098 by 2031



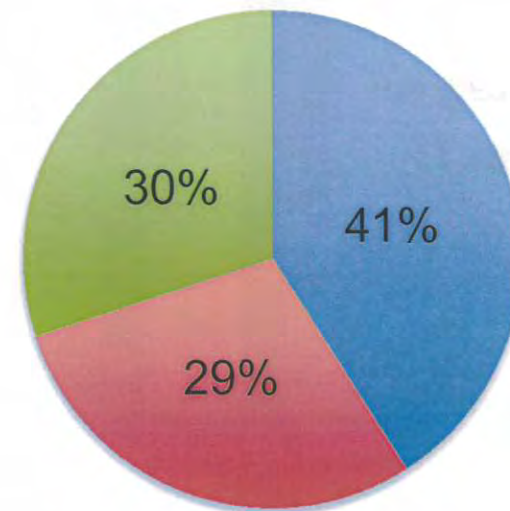
4. Growth Forecast

Type of Household Growth is Changing Over Time

2012 Growth by Household Type



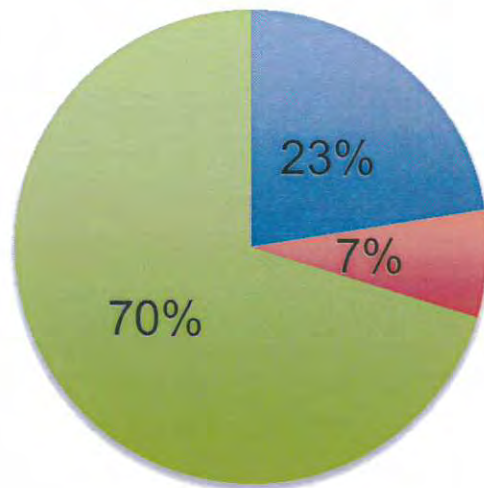
2031 Growth by Household Type



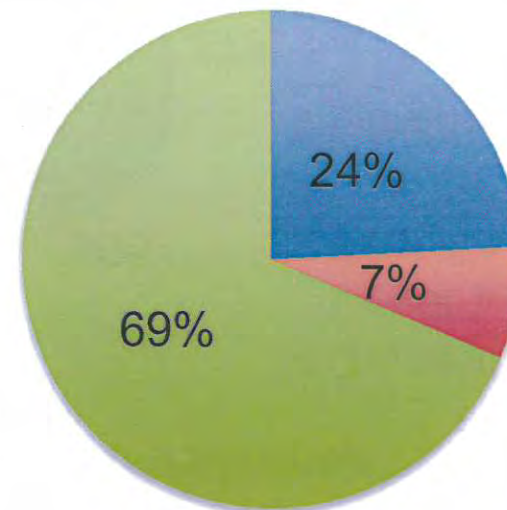
4. Growth Forecast

Type of Employment Growth is Remaining Relatively Constant

2012 Growth by Employment Type



2031 Growth by Employment Type



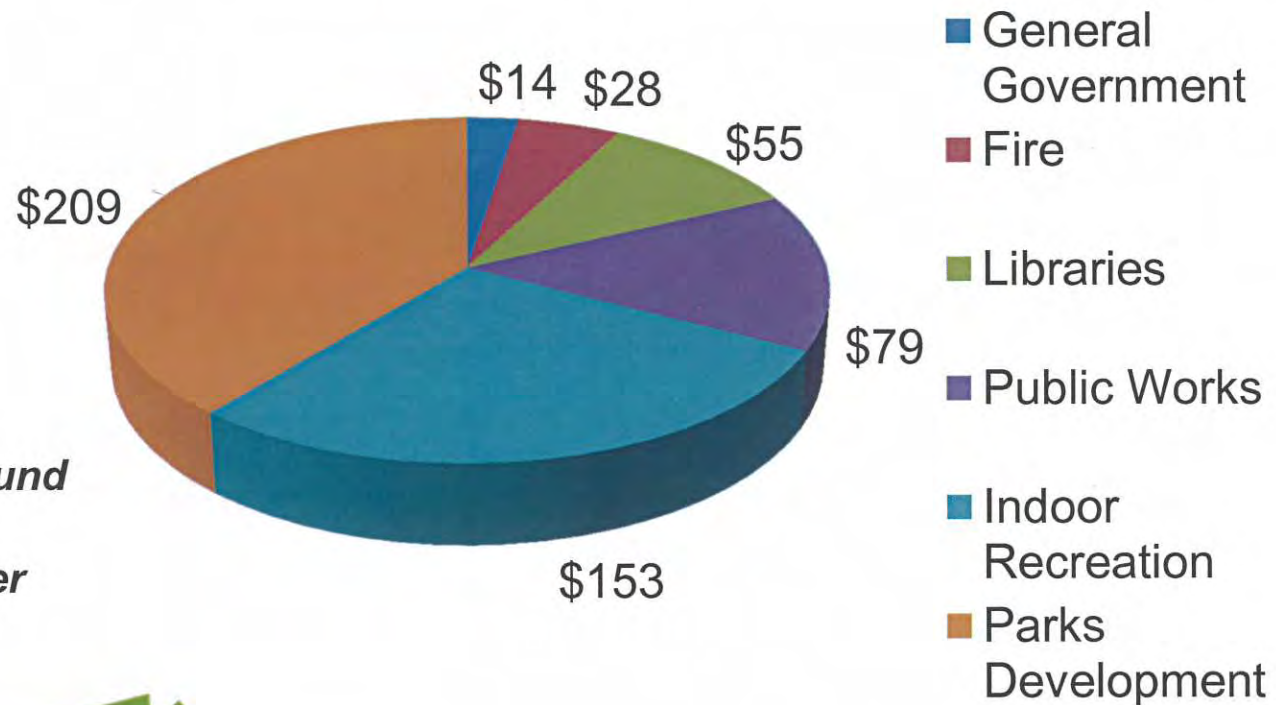
- Population Related
- Major Office
- Employment Land



5. Growth Related Capital Program

10 Year Soft Services Program (2012* – 2021)

Gross Project Costs (\$ Millions)

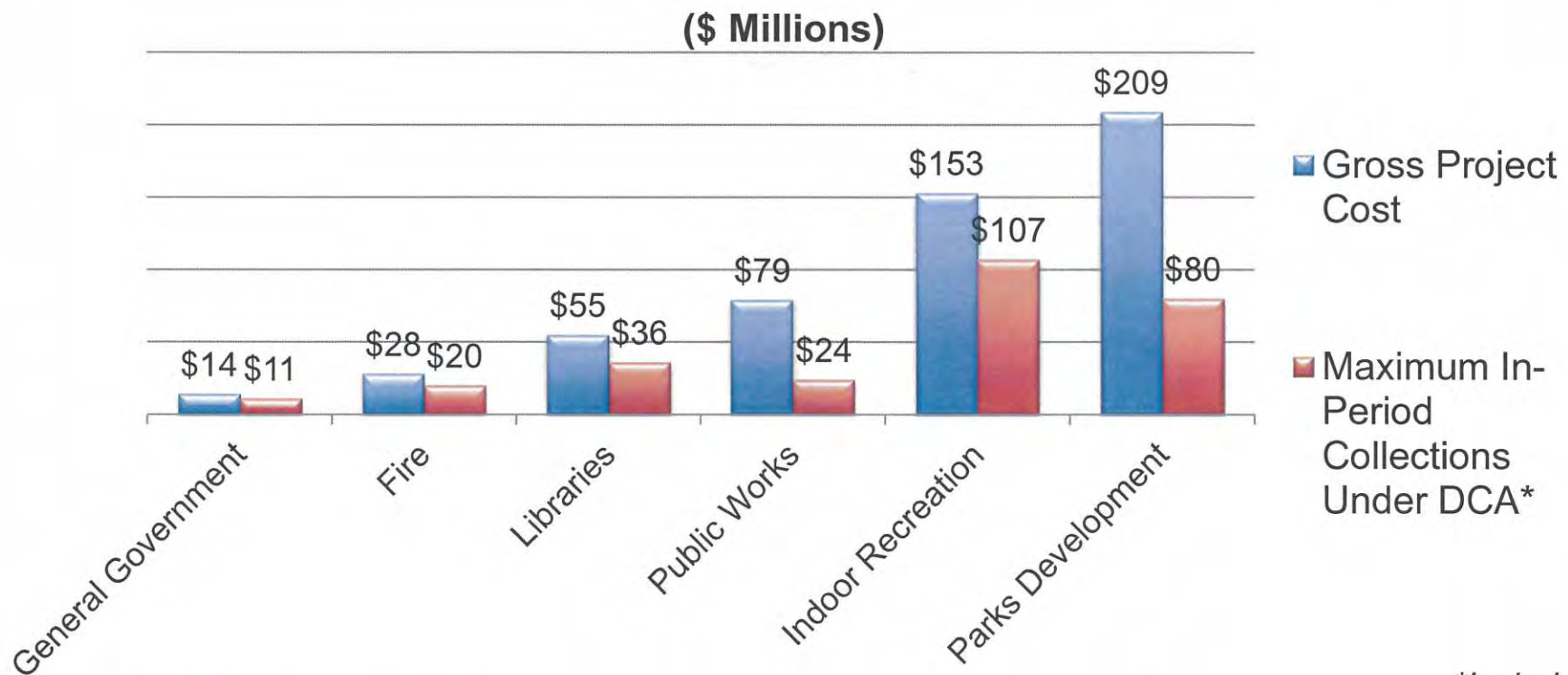


**The draft Background Study is based on data as of December 31, 2011*



5. Growth Related Capital Program

Soft Service Program Costs Vs. Allowable Collections under DCA



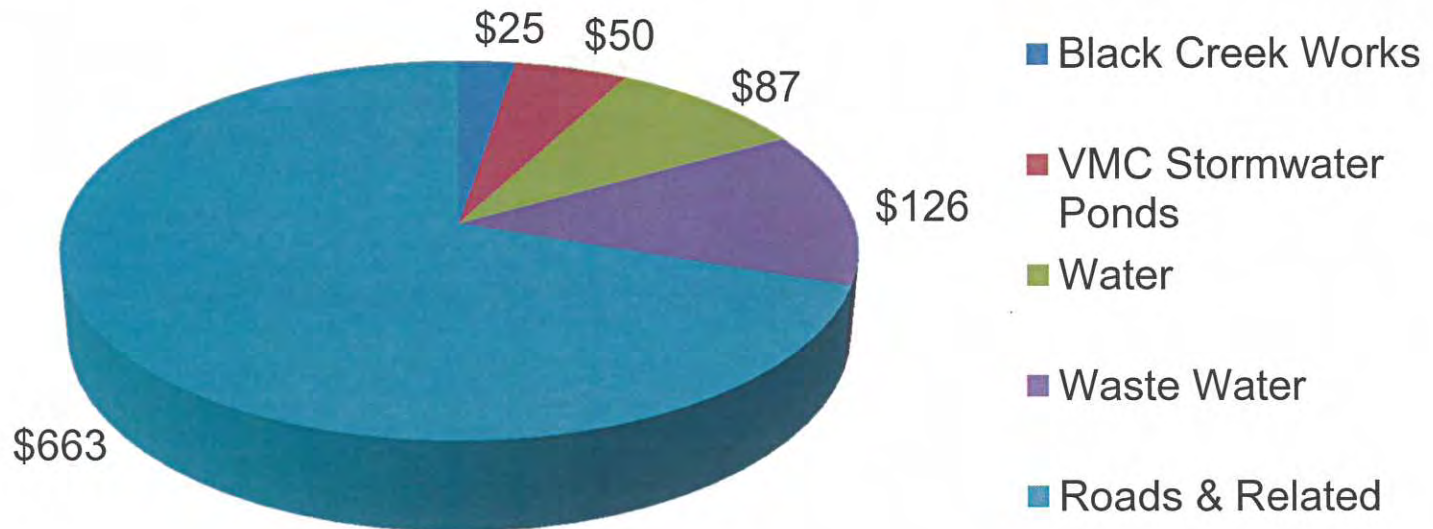
**Includes opening reserve balances*



5. Growth Related Capital Program

Engineered Services (“Hard Services”) Program to 2031

Gross Project Costs (\$ Millions)



6. Types of Development Charges

City Wide Development Charge By-law

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

Soft Services

General Government

Library Services

Indoor Recreation

Fire and Rescue Services

Public Works: Building & Fleet

Parks Development & Facilities

Hard Services

Roads & Related



6. Types of Development Charges

Special Area Development Charge By-laws (SACs)

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



7. Transfer from SACs to City Wide

Staff are proposing to transfer some potential SACs to City Wide

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



8. City Wide Development Charge Summary

Singles / Semis Per Unit

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

133% Increase

91% Increase



8. City Wide Development Charge Summary

Non-Residential (Per Sq.M.)

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

280% Increase

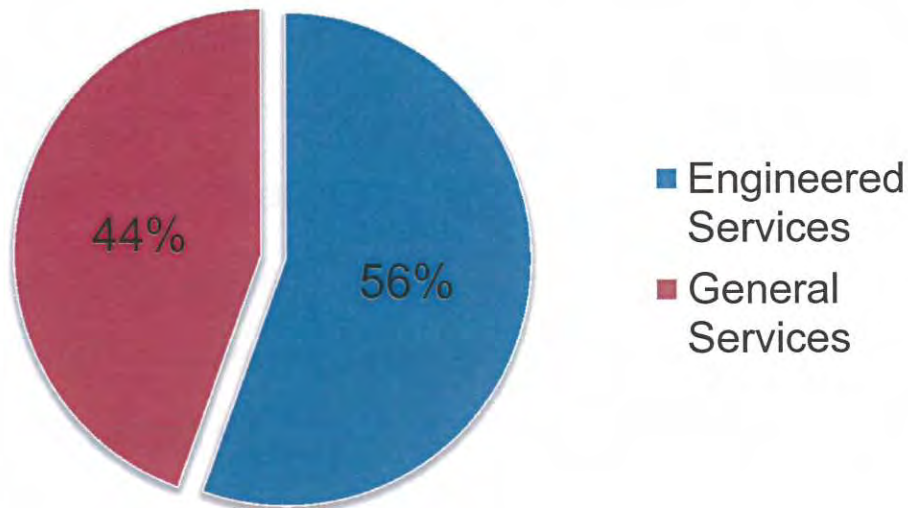
178% Increase



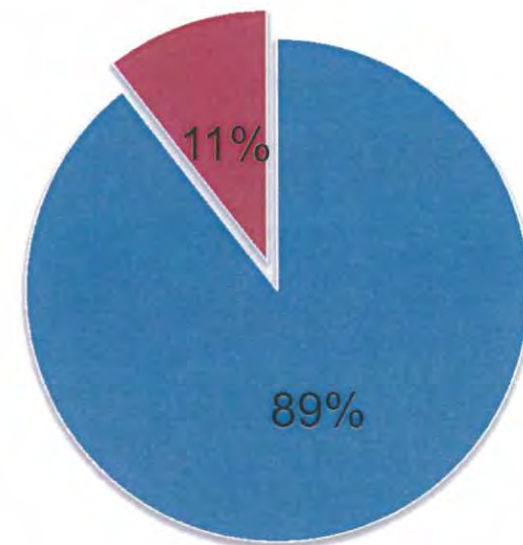
8. City Wide Development Charge Summary

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

**Residential (Single Detached)
Breakdown**



Non-Residential Breakdown



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



9. Area Specific Development Charges (SACs)

Charges will be finalized with release of Background Study

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



10. Municipal Comparisons

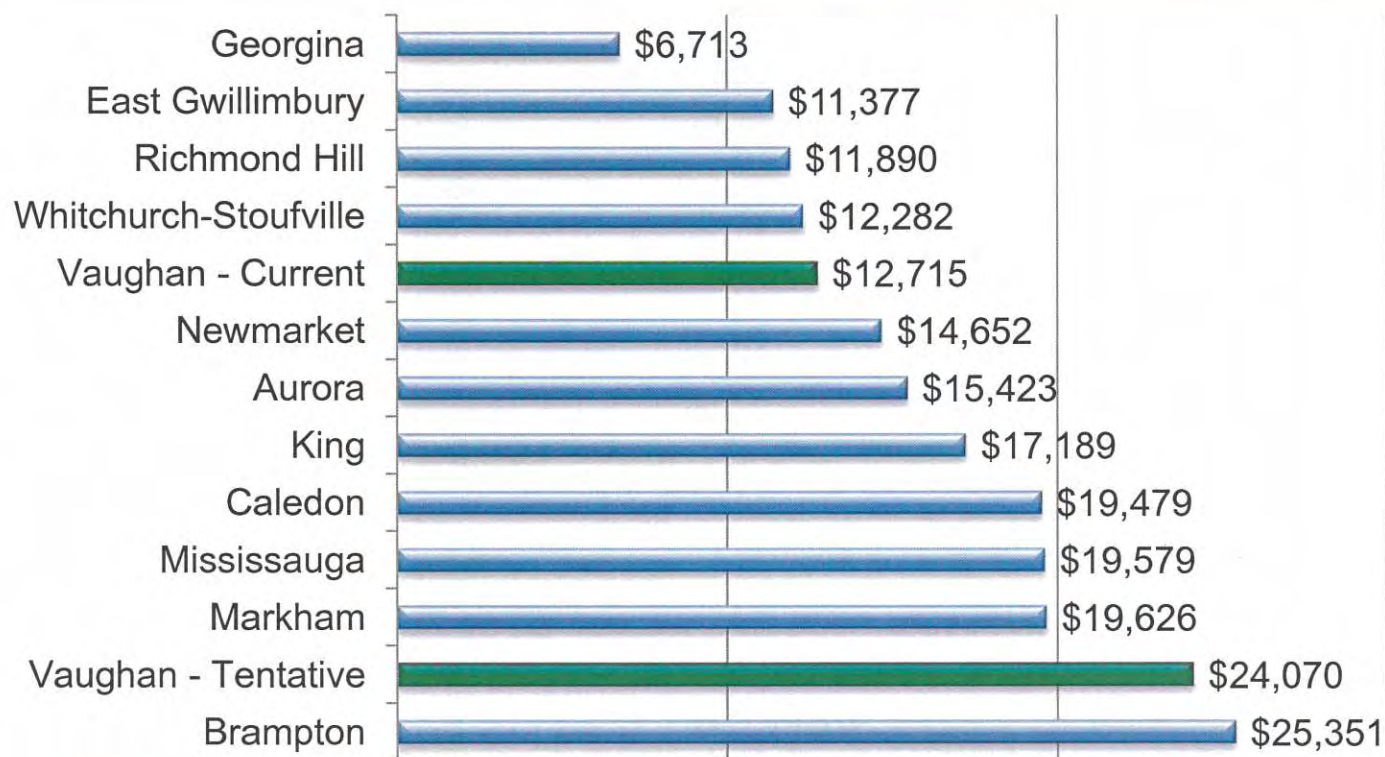
Municipal Comparisons are not always “apples to apples”

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



10. Municipal Comparisons

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



10. Municipal Comparisons

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



11. Policy Issues

“Benefit to Existing”

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



11. Policy Issues

“Post Period Benefit” – Ontario Municipalities

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



11. Policy Issues

“Post Period Benefit” – Implications for Vaughan

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



11. Policy Issues

Differentiated Rates for Apartments

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



11. Policy Issues

Differentiated Rates for Mixed-Use High Density

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

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



11. Policy Issues

Office Discount and “Green” Discounts

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



11. Policy Issues

Transition / Phase-in Measures

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



12. Timelines

Milestones in the process

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



Thank-you & Questions?



2013 DEVELOPMENT CHARGE BY-LAW REVIEW UPDATE

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Development Finance & Investments recommend:

That the presentation and report “2013 Development Charge By-law Review Update” be received.

Contribution to Sustainability

The objective of Development Charges collection is to fund and construct new public infrastructure for new growth population, sustaining the same level of service experienced by that of the existing population.

Economic Impact

There is no economic impact associated with this report; however, the purpose of updating the City's Development Charge By-law is to make every effort to ensure that growth-related infrastructure is paid for by the development requiring the service.

Communications Plan

Two stakeholder workshops have taken place with the development industry:

1. Workshop #1 - April 4, 2012
2. Workshop #2 - January 25, 2013

The workshops included members of the Building Industry and Land Development Association (BILD) as well as representatives from SmartCentres. In between those workshops several correspondences, extensive exchange of detailed background data, and a meeting took place to discuss the technical aspects of the draft calculations. It is anticipated that ongoing correspondence, meetings and collaboration will continue until the release of the draft Background Study.

The Development Charges Act has mandatory communication requirements around advertising of at least one public meeting that will be scheduled once the consultative process with the development industry is nearing completion.

Purpose

The purpose of this report is to provide Council with an update regarding the review of the City's Development Charge By-law that is currently underway.

Background - Analysis and Options

As reported in the previous update to Finance & Administration Committee on May 14, 2012, the City of Vaughan's current Development Charge By-law #230-2008 expires on September 22, 2013. The by-law update began in late 2011 with draft calculations produced by mid-2012. These preliminary rates were shared with members of Finance & Administration Committee through the May 14, 2012 report. For the 3rd and 4th quarters of 2012 the City engaged in a consultative process with the development industry.

City Wide Charges

A City Wide development charge is calculated on the basis that new infrastructure emplaced city-wide benefits the growth that is occurring city-wide. For instance, one new park may be built in one area of the City, but it benefits the growth that is occurring city wide. The majority of capital costs are collected for on a city wide basis. City Wide charges include two types of services: General Services and Engineered Services.

General Services

Eligible general services (or soft services) include the following:

- General government – Studies
- Library Services
- Fire and Rescue Services
- Indoor Recreation
- Parks Development and Facilities
- Public works: Building and Fleet

Cost recovery for general services for the next 10 year period is limited to the average service level provided by the City for the previous 10 year period. In addition, all of the general services, with the exception of Fire and Rescue Services, can only be funded to a maximum of 90% from development charges.

Engineered Services

Engineered Services are not subject to the same type of service level limitation or the 90% maximum funding limit as the General Services, unless there is a benefit to the existing community. The Engineered Services program includes planned projects out to the current planning horizon of 2031. Engineered Services (or hard services) under the City Wide charge recover the cost of roads and related infrastructure. These costs include recoveries for the following types of infrastructure:

- Road construction
- Road related studies
- Sidewalks and street lighting
- Urban design of roads
- Signalization

Special Area Charges (SACs)

SACs recover costs of infrastructure located in, and benefiting, a specific area. For instance, if a piece of infrastructure is constructed that is deemed to only benefit a specific geographic area (e.g. a sanitary sewer line that services only specific blocks of subdivisions) then this cost is more appropriately borne by only the growth in that area rather than by growth occurring city wide. SACs can vary significantly depending on the amount of benefiting land to share and the cost of the specific infrastructure. SACs are currently used to recover the following types of Engineered Services:

- Water mains
- Wastewater
- Select Storm Drainage Facilities

Proposed Transfers from SACs to City Wide Charges

It was noted on the May 14, 2012 report that a review was being undertaken as to what costs should remain as a SAC and which should be moved to the City Wide charge. City staff consulted with BILD on this matter, however the industry has not provided a unified position on this issue and it is anticipated that this will not occur before the end of the by-law review. Adding potential SAC infrastructure to the City Wide charge achieves two goals from the City's perspective:

1. It provides recognition to the fact that these pieces of infrastructure provide a city wide benefit, and
2. Administration of the by-law is simplified.

Based on the above, staff drafted tentative rates with the following works transferred from the potential SAC project list to the City Wide Charge included in the draft Background Study:

- Water mains
- Black Creek Works

These works can be justified as having a city wide benefit and therefore the cost of such infrastructure should be recovered through the growth occurring on a city wide basis. The Water mains referred to above include the city-wide network of water mains currently required to service growth until build out. In addition a portion of the total costs of the Black Creek Works are proposed to be included in the City wide charge.

Although BILD is not taking a position on this matter, staff have recently started to receive letters from a number of individual developers requesting a City-wide approach to engineered service costs that also includes sanitary sewers, sanitary pumping stations and force mains.

Draft Tentative City Wide Rates

Hemson Consulting Ltd was retained to prepare the updated Development Charge Background Study utilizing data provided by City departments, growth forecasts and projected capital programs. Initial preliminary costs and rates were developed and shared with the development industry and members of the Finance & Administration Committee in the May 14, 2012 report. Those estimates showed an approximate 100% increase in the rates. Inclusions and exclusions in the City Wide charge versus SACs were not addressed at that time.

Since the spring of 2012 several updates have occurred to the draft data that have had the effect of decreasing the "2012 Preliminary" rates to the currently calculated "2013 Tentative" rates. The three largest effects have been from the following:

1. Reduction: Proposed uploading of the King/Vaughan Side Road to the Region of York (\$180 million)
2. Reduction: Recognition that 50% of Kirby Road (\$71 million) should be removed from the horizon period for purposes of calculating the rates as it has a benefit to growth occurring after the horizon year (2031)
3. Addition: Water mains (\$87 million) and Black Creek Works (\$25 million) transferred from potential SACs to the City Wide Charge

The following tables show the current rates, draft tentative rates and the percentage increase for City Wide Charges on a Single Detached Home (per unit) and Non-Residential (per Sq.M.).

Draft Tentative Rates on a Single Detached Home (Per Unit)

Service Category	Current Rate	Draft Tentative Rate	% Diff
General Government	\$ 308.44	\$ 318.68	3%
Library Services	\$ 768.62	\$ 969.62	26%
Fire and Rescue Service	\$ 337.30	\$ 620.04	84%
Indoor Recreation	\$ 3,836.50	\$ 4,798.50	25%
Park Development & Facilities	\$ 2,658.01	\$ 3,468.74	31%
Public Works: Buildings and Fleet	\$ 337.30	\$ 529.51	57%
SUB-TOTAL GENERAL SERVICES	\$ 8,247.00	\$ 10,705.09	30%
City Wide Roads and Related	\$ 4,380.00	\$ 9,776.66	123%
King Vaughan Road	\$ -	\$ -	
50% of Kirby Road	\$ -	\$ 1,507.05	
City Wide Water	\$ -	\$ 1,622.49	
Black Creek Works	\$ -	\$ 458.26	
SUB-TOTAL ENGINEERING	\$ 4,380.00	\$ 13,364.46	205%
TOTAL CHARGE	\$ 12,627.00	\$ 24,069.55	91%

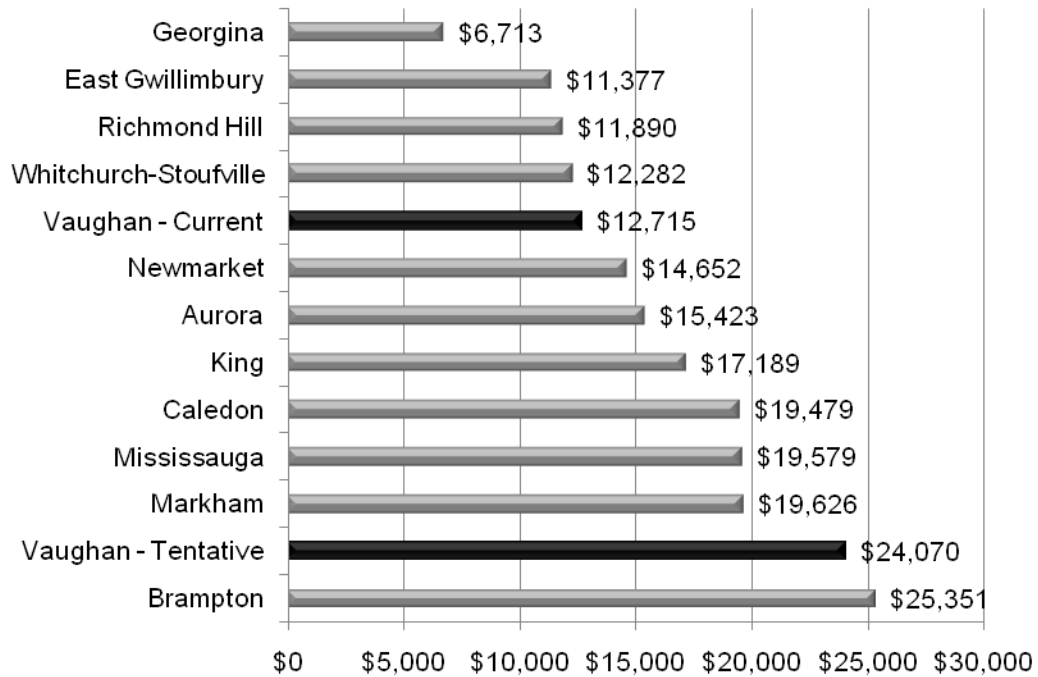
Draft Tentative Rates on a Non-Residential Space (Per Sq.M.)

Service Category	Current Rate	Draft Tentative Rate	% Diff
General Government	\$ 0.81	\$ 1.21	50%
Fire and Rescue Service	\$ 0.81	\$ 2.55	216%
Public Works: Buildings and Fleet	\$ 1.41	\$ 2.14	51%
SUB-TOTAL GENERAL SERVICES	\$ 3.03	\$ 5.90	95%
City Wide Roads and Related	\$ 17.16	\$ 36.02	110%
King Vaughan Road	\$ -	\$ -	
50% of Kirby Road	\$ -	\$ 5.97	
City Wide Water	\$ -	\$ 6.43	
Black Creek Works	\$ -	\$ 1.82	
SUB-TOTAL ENGINEERING	\$ 17.16	\$ 50.24	193%
TOTAL CHARGE	\$ 20.19	\$ 56.14	178%

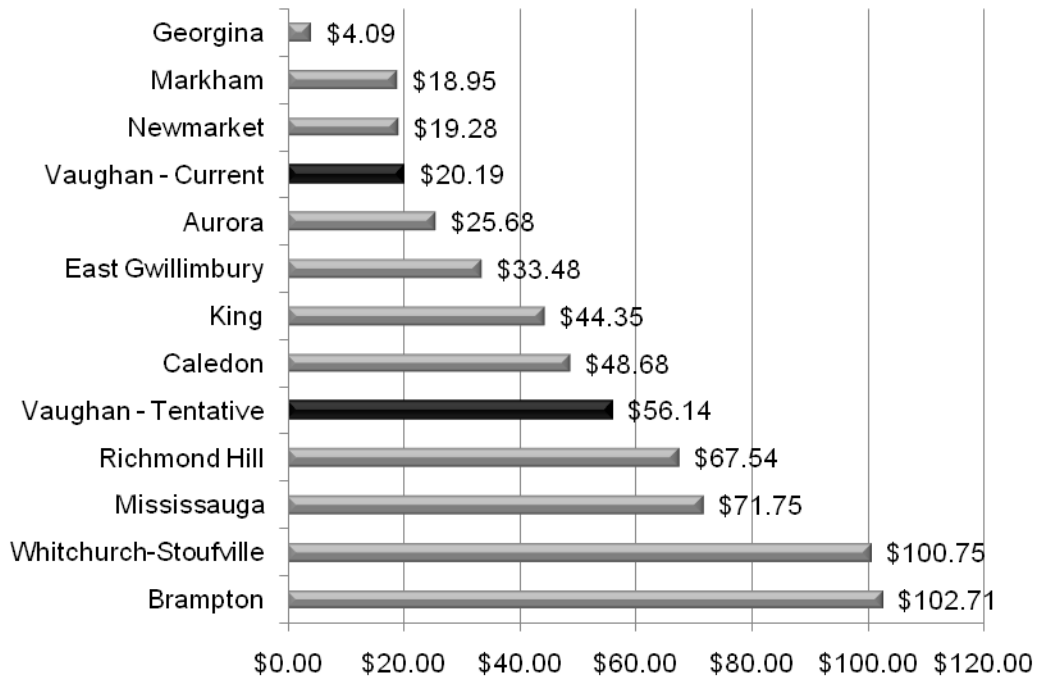
Comparisons to Other Municipalities

The following tables show the comparison between the City's current and tentative rates for Single Detached homes and Retail space as compared to municipalities in York and Peel regions. It should be noted that the majority of these municipalities are also undergoing development charge by-law reviews and their rates may be increasing. Furthermore, comparisons between municipalities within York do not include comparison provisions for area specific charges (SACs), nor does the comparison to Peel municipalities account for differences in upper/lower tier service division.

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



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



Draft SAC Rates

Draft SAC rates are still in the process of being calculated by staff and will be available upon the release of the Background Study. The draft SAC rates will continue to include wastewater and select storm water management facilities. The existing SAC by-laws will be proposed to be renewed, with one of them being modified slightly. One new SAC will be proposed for a completed sanitary trunk, the details of which will be released with the draft Background Study. Other new SAC by-laws will be proposed as the infrastructure is completed over time. The details of this will also be included in the draft Background Study.

Policy Discussion

Several policy items are the topics of ongoing discussions with the development industry. Staff are working towards resolutions on many of these issues and will include recommendations for Council's consideration upon release of the Background Study. A brief description of some items is included below.

Engineering Services - "Benefit to Existing"

A "Benefit to Existing" is a treatment within the development charge funding model that assigns a portion of the cost of new infrastructure to the existing population. The reason for this apportionment is to recognize that sometimes new infrastructure not only benefits the new population, but also the existing population. For instance, in the Fire and Rescue Services program there is an apportionment of the costs associated with the relocation of Station 7-3 as a "Benefit to Existing" in recognition of the fact that a large portion of the new station was already in service previously at the old location. This portion of the new building (on a square footage basis) is not funded through development charges, but rather is funded through taxation because it is not benefiting growth and is continuing to service the existing residents/businesses. The additional square footage, over and above the old station, is recovered through development charges as it is deemed to be servicing the new residents/businesses. This methodology is being illustrated only to show the theoretical cost allocation method and by no means is meant to represent the practical operations of the station.

The development industry has requested that the City consider giving "Benefit to Existing" recognition in its Engineered Services program. The City's practice in all previous by-laws has been to consider all new infrastructure within its Engineered Services program as benefiting only new population. Recognizing a "Benefit to Existing" has a financial impact as it would require the City to fund a portion of the Engineered Services program through a source other than that of Development Charges (e.g. the tax base). Some municipalities such as the Region of York generally recognize a 10% "Benefit to Existing" on their development charge roads program. If the City adopted this type of policy it could have up to a \$70 - \$100 million shift of cost to be recovered from the tax base, affecting the City's annual tax levy increases and impacting the pace of the Engineered Services capital program.

Roads Program – "Post Period Benefit"

As mentioned earlier in this report, City staff are proposing to recognize a portion (50%) of Kirby Road as having a benefit beyond the 2031 horizon date of the draft Background Study, otherwise known as a "Post Period Benefit". The development industry purports that a greater proportion of the roads program could be considered "Post Period Benefit". The financial impact of making this recognition reduces City cash flow by deferring the recovery of those funds until future by-law periods, however the ability to collect for the infrastructure is not lost.

Differentiated Apartment Rates

Currently the City has one rate for apartments, regardless of the size of the unit. Several municipalities in the GTA (including York Region) provide a differentiated rate for large and small apartments. Some municipalities make this distinction based on the number of bedrooms and others by the square footage of the unit. City staff are generally in agreement with the industry that a differentiated rate is justified in that the average Persons Per Unit (PPU) differs between large and small apartments and therefore the charge should be different. This recognition also helps to promote density by creating a more equitable charge. There is no financial impact of introducing a differentiated rate as the costs are re-distributed proportionally between large and small apartments based on the average PPUs for each type of unit. City staff and the development industry are having ongoing discussions about the criteria of what constitutes a large versus a small apartment (e.g. square footage thresholds).

Non-Residential / High Density Residential Mixed Use Rate

The development industry has requested that the City consider a differentiated rate for the non-residential portion of a mixed use development (non-residential / high density residential). Currently, the City of Markham provides this differentiated rate. The development industry purports that the lower rate for the non-residential portion of mixed use developments would help to promote the type of urbanized higher density environment that the City seeks to promote, such as the developments in the Vaughan Metropolitan Centre. City staff tend to agree with the premise, however more research on the topic is required and any potential financial impacts are yet to be determined.

Office Rate

The development industry has requested that the City consider a discounted rate for office development. City staff will continue discussions, however funding discounts of this nature through higher development charges for other types of development is specifically prohibited by the Development Charges Act. This means that any discount provided would require funding from a source other than development charges (e.g. tax base). City staff believe that any such discount program may be more appropriately considered under an economic development context and not through the development charge by-law(s). It should be noted that the Region of York does not currently provide a differentiated rate for office development and their charge currently comprises 89% of the total development charge on this type of development. The table below shows the current rate structure and the tentative rate structure (without a discounted City charge for office).

	Current Rate (Per Sq.M.)	Tentative Rate (Per Sq.M.)
City of Vaughan	\$20.19	\$56.14
Region of York	\$207.29	\$207.29
Boards of Education (Combined)	\$5.60	\$5.60
Total	\$233.08	\$269.03

Credits for Sustainable “Green” Development

The development industry has requested that the City consider providing discounts or credits for developing buildings that have sustainable/green features (e.g. LEED certification, water cisterns, solar power, etc.). Staff certainly support such types of development, however in much the same way as an office discount, any program of this nature would require funding from another source (e.g. tax base) and may belong in an environmental sustainability program rather than the development charge by-law(s).

Transition / Phase-in Measures

The development industry has requested that the City provide a phase-in or transition on the proposed rate increase. City staff are giving this issue due consideration before providing Council with any recommendations. A straight forward phase-in of the rate (e.g. 25% of the increase every 6 months or similar treatment) may have a financial impact. For any revenue foregone during the phase-in period the City may be required to fund this through a source other than development charges (e.g. tax base). City staff have been considering another approach that is allowed under the Development Charges Act. Separating the City Wide charges in to individual by-laws would allow the City to stagger their effective dates. Under this model the charges might be separated in to the following by-laws: General Services, City Wide Roads & Related, Kirby Road, Water mains and Black Creek Works. All the by-laws would be enacted at the same time, however their effective dates would be staggered over a range of time (e.g. 3 months, 6 months and 9 months) to smooth the impact of the overall increase on the development industry. Other transition measures are also being considered by staff and further recommendations will be provided with the release of the Background Study.

Process Going Forward

City staff will continue to meet and consult with the development industry regarding technical issues, the draft tentative rates and policy issues. The anticipated milestone dates leading up to the new by-law enactment are as follows:

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

Relationship to Vaughan Vision 2020/Strategic Plan

Not applicable

Regional Implications

The City placed a formal request to the Region to assume responsibility for the construction of the King/Vaughan Side Road, Kirby Road and portions of Pine Valley Drive. The Region has accepted responsibility for King/Vaughan Side Road based on some conditions and will continue to consider Kirby Road and Pine Valley Drive after environmental assessments have been completed. City staff will continue to work with the Region towards this transfer within the respective capital programs.

Conclusion

The draft tentative rate for a Single Detached Home is increasing by 91% and the tentative rate for non-residential space is increasing by 178%. Consultation with the development industry is ongoing and several policy issues are being considered in further depth to ensure that Council is presented with a revised by-law that is fiscally responsible, protects existing taxpayers and responds to the evolving environment surrounding the development industry. It is currently anticipated that the release of the draft DC Background Study and the public statutory meeting will occur in March and April respectively, with new by-law(s) in place by May.

Attachments

Not applicable.

Respectfully submitted,

Barbara Cribbett, CMA
Commissioner of Finance & City Treasurer

Lloyd Noronha
Director of Development Finance & Investments