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COMMUNICATION  
DW/PA: OCT 7/15  
ITEM: 3



# Community Improvement Plan

Committee of the Whole Public Hearing: October 7, 2015



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

## **City of Vaughan:**

Economic Development & Culture Services

Policy Planning

Development Finance & Investments

Development Planning

Legal Services

Real Estate

Financial Planning & Analytics

## **Consulting team:**

Hemson Consulting Ltd.

Urban Strategies Inc.

# **The Team**





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



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

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

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


## Foundational Work





## The GTA office market:

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

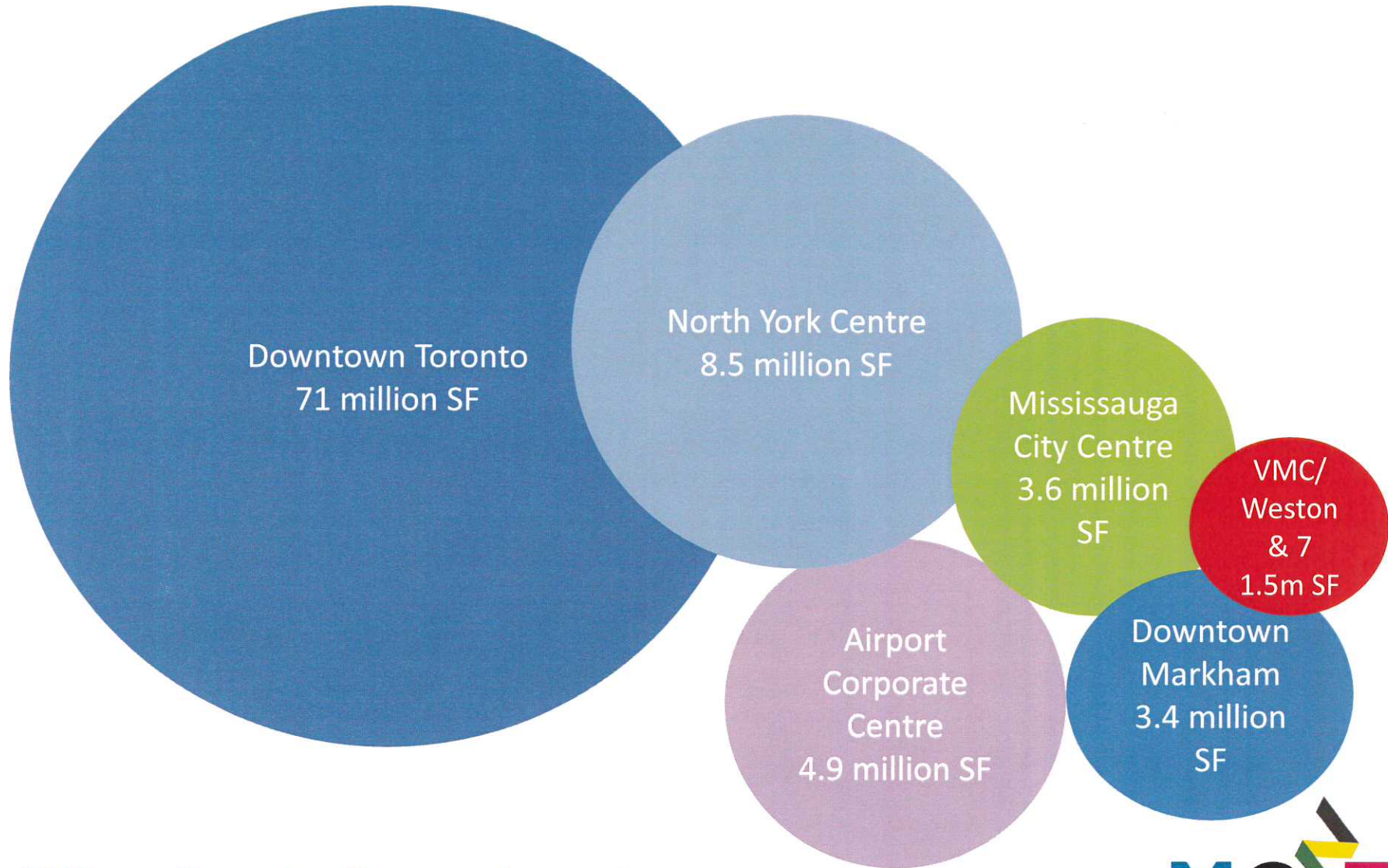


*The VMC faces a cost disadvantage in both existing and new construction of Class A office space*

## Market Context







## Market Context





# Vaughan's CIP





# CIP structure



# Background Work Completed to Date

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



# CIP is Recommended for VMC and Weston/7

## **Key factors driving recommendation**

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

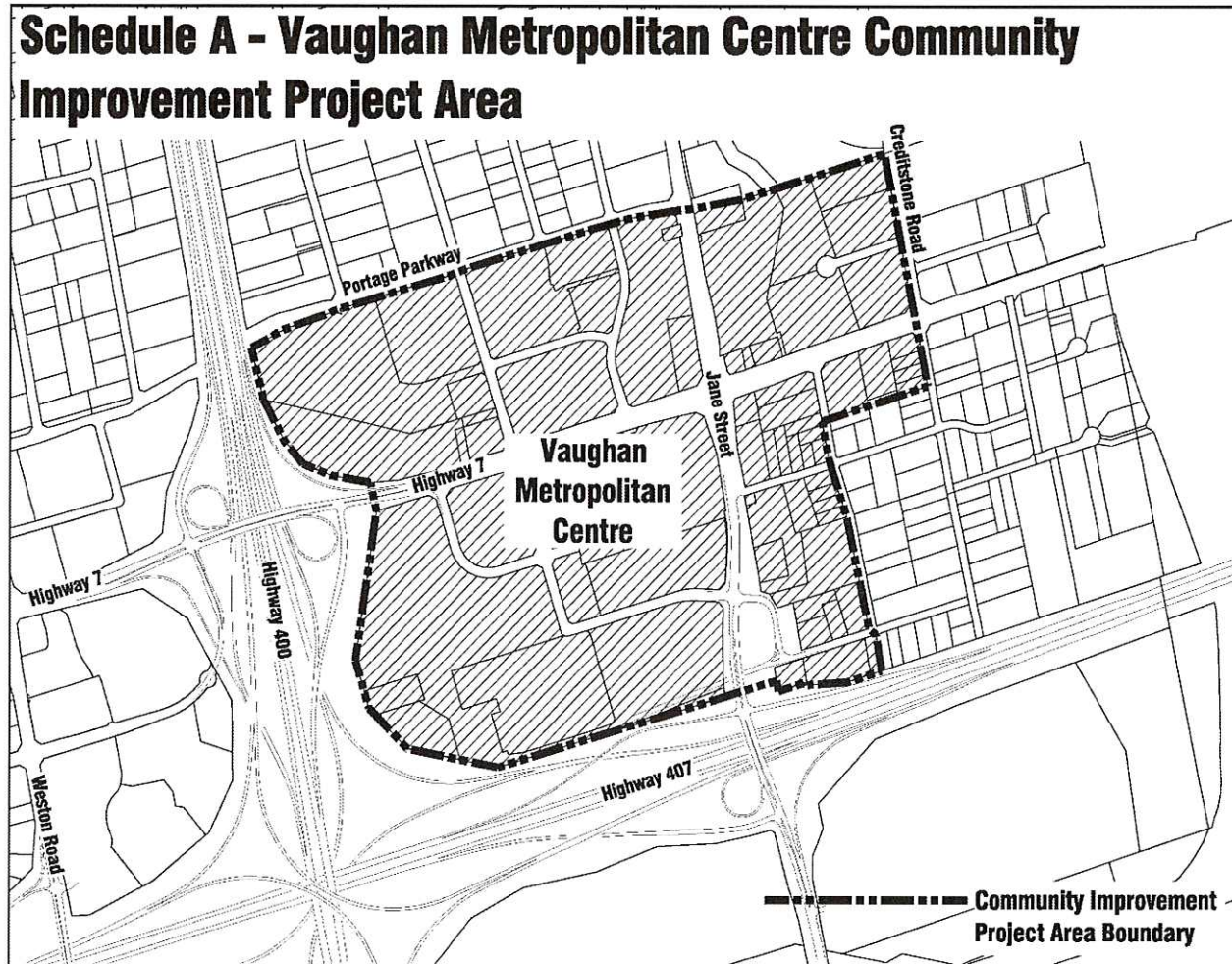


# The CIP Project Areas



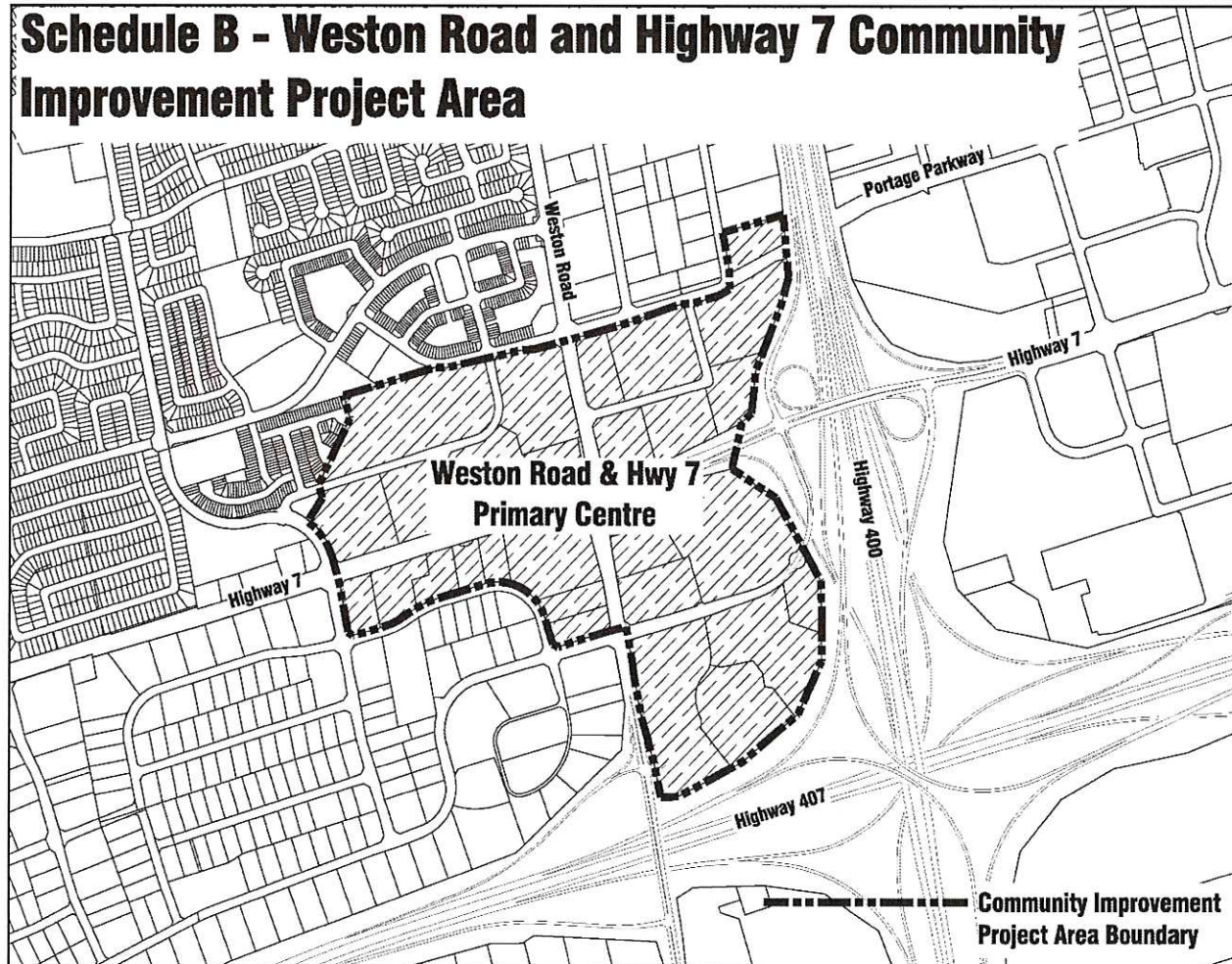


# The CIP Project Areas: VMC





# The CIP Project Areas: Weston Rd/Highway 7





# Recommended Incentives

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



# Key Program Elements

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



# Reduced DC Rate

- Reduced City-wide DC Rate
  - \$20.35 per sq.m
  - 62% less than current rate (\$53.68)
- Maximum development savings: \$4.65 million
  - Cost will be absorbed by the City (taxes/utility rates)
- City still collects \$2.84 million in City-wide DCs
  - Black Creek area-specific rates will also apply



# DC Deferral (VMC only)

- City-wide DC payments will be deferred 18 months
  - Mirrors Region of York deferral policy
  - Deferral will be secured by way of letter of credit and deducted 18 months after building permit issuance
  - Not retroactive
- Maximum cost to City of deferral: \$56,000



# Reduced Property Taxes

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

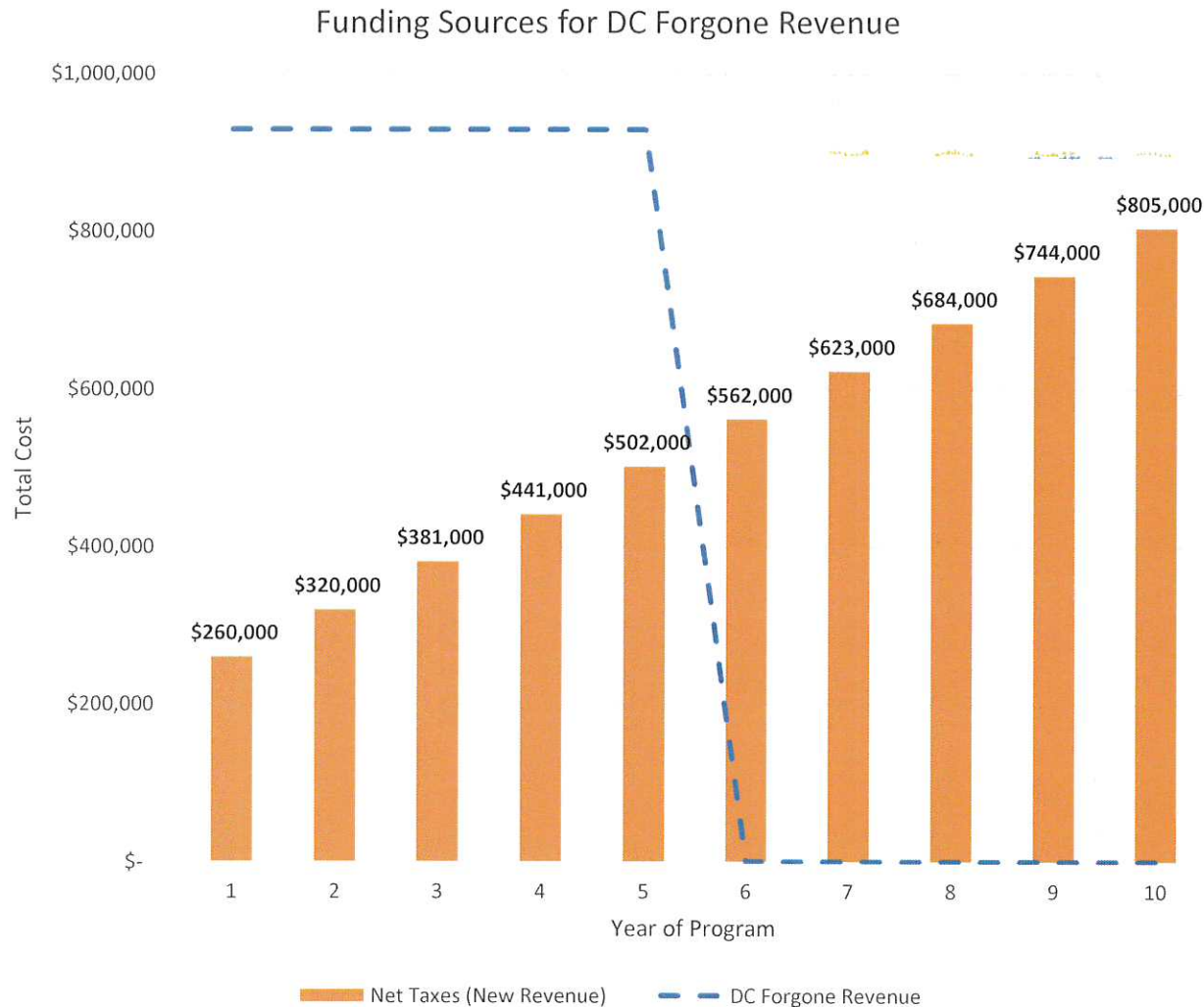


# Reduced Parkland Payments

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



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



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



# Examples of Other Incentives Considered

Incentive	Description	Comments
Section 37 Contributions: Podium Parking	Major office buildings with two storeys of below-grade parking be permitted to exclude up to two storeys of integrated above-grade podium parking from Section 37 calculation	<ul style="list-style-type: none"><li>• Incentive will be implemented outside of the CIP by-law; part of the regulatory planning process</li></ul>
Other Section 37 Incentives	Exemption of office development from s.37	<ul style="list-style-type: none"><li>• Current CIP provides a range of incentives</li><li>• Considered through Secondary Plan or Site Plan Agreement process</li></ul>



# Examples of Other Incentives Considered Cont.

Incentive	Description	Comments
Brownfield Incentives	Provide similar financial incentives for Brownfield redevelopment	<ul style="list-style-type: none"><li>• City's existing building stock is relatively modern</li><li>• Intent of CIP program is to encourage underdeveloped sites</li><li>• Reconfirms 2006 study</li></ul>
Early Lease Termination	Provide incentives to offset costs of early lease termination for existing commercial uses	<ul style="list-style-type: none"><li>• Objective to encourage office development on vacant sites</li><li>• Would reduced funding for other proposed incentives</li></ul>



# Request to Region & Province

- If Region and/or Province participated, incentives could be far larger
- Region participation has been requested for:
  - TIEGs
  - DC Reduction
- Potential Provincial participation:
  - Grants provided under *Planning Act*
  - Education Tax grants under *Tax Increment Financing Act, 2006*
- Regional and Provincial participation is unlikely at this time



# Incentives in Other GTA Municipalities

Municipality	CIP Program	Description
Toronto	Brownfield Remediation and Development of Prescribed Employment Uses	<ul style="list-style-type: none"><li>• City-wide CIP used to overcome challenges in attracting employment uses</li><li>• TEIG: phase-in new taxes from 0% in Year 1 to 80% by year 10</li><li>• DCs exempt over first floor</li></ul>
Mississauga	No formal CIP in Place. City is considering CIP for Office Uses.	<ul style="list-style-type: none"><li>• Incentives will likely include TIEGs and DC reduction</li></ul>
Brampton	Central Area CIP	<ul style="list-style-type: none"><li>• Targeted CIP intended to revitalize downtown core</li><li>• Incentives include: TIEG (not yet implemented), DC grant based on scoring system (50% -100% exemption based on performance criteria), façade improvements etc.</li></ul>



# Incentives in Other GTA Municipalities Cont.

Municipality	CIP Program	Description
Markham	CIP By-law adopted for Markham Centre Secondary Plan Area – no formal CIP in place	<ul style="list-style-type: none"> <li>• Area was identified for CIP</li> <li>• No incentives/ funding has been provided to date</li> <li>• Intended to support planning objectives for downtown including infrastructure initiatives to support transit</li> </ul>
Richmond Hill	No formal CIP in Place. Town is considering CIP for Office Uses.	<ul style="list-style-type: none"> <li>• Office incentives study completed December 2013</li> <li>• Incentives will likely include TIEG</li> <li>• Specific office uses have not yet been identified</li> </ul>



# Community Benefits







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

# Impact of a CIP







## Economic development goals:

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

# Economic Development







Architectural steel: 3,027 jobs

HVAC & mechanical: 510 jobs

Concrete products: 411 jobs

Curtain wall (windows): 3,369 jobs

Commercial building construction  
1,987 jobs

Foundation & structure  
contractors: 583 jobs

**Office Development Supports Local**

**Economy**





Electrical contractors: 2,694 jobs

Drywall manufacturing  
& contractors: 3,235 jobs

Paint & adhesives: 434 jobs

Plumbing contractors: 3,104 jobs

Siteworks & dewatering: 884 jobs

**Direct, Indirect, Induced GDP**  
**\$540 million**

# Office Development Supports Local

## Economy





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**Direct, Indirect, Induced GDP**  
**\$540 million**

# Office Development Supports Local

## Economy



# Next Steps

IT'LL **MOVE** YOU  
VAUGHAN METROPOLITAN CENTRE



Public  
circulation of  
final draft CIP  
study & by-  
laws

September  
10, 2015

Public  
meeting: CIP  
study & by-  
laws

October 7,  
2015

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

November 3,  
2015

Council  
enactment of  
the CIP by-  
laws

November  
17, 2015

OMB appeal  
period  
(20 days)

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

## Next Steps



# Questions & Answers

