

Committee of the Whole (2) Report

DATE: Tuesday, June 21, 2022

WARD(S): ALL

**TITLE: 2022 CITY-WIDE AND AREA SPECIFIC DEVELOPMENT
CHARGES BACKGROUND STUDY AND BY-LAWS UPDATE**

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To seek Council approval of the 2022 City-Wide Development Charges (“DC”) Background Study and staff recommendations related to the associated By-Laws.

Report Highlights

- This report provides a high-level overview of pertinent aspects of the 2022 DC Background Study and By-Law Updates.
- To fund the capital projects outlined in the Background Study, the single and semi-detached residential rates would increase by 31% and the Non-Residential Rate would increase by 41%.
- It is proposed that the effective date of the City-Wide DC By-law be established as June 1, 2023 to allow for a transitional period for the development industry.
- It is proposed that the effective date of the Area Specific Development Charges (“ASDC”) By-laws be established as July 1, 2022 to allow for immediate collection at the newly established rates.

Recommendations

1. THAT the 2022 Development Charges Background Study (Attachment #1) dated June 21, 2022 be approved;

2. THAT Council enact the City-Wide Development Charges By-Law (Attachment #2) and all Area Specific Development Charges By-Laws (Attachments #3 - #14) and that the City-Wide Development Charges By-law come into force on June 1, 2023 and the Area Specific Development Charges By-laws come into force on July 1, 2022;
3. THAT the 10-year growth-related capital forecast for general services and the growth-related capital forecast to 2031 for engineered services included in the Background Study, subject to maintenance of service levels, the availability of funding, and Council policies, be adopted;
4. THAT staff be authorized to close the Area Specific Development Charge reserve that has been deemed to be substantially completed, as outlined in this report, and that any remaining balance within the reserve that are not required for further developer reimbursement be transferred to the City-Wide Engineering Development Charge reserve;
5. THAT the proposed transition measure as outlined in this report, be adopted;
6. THAT Council commit to funding the future operating costs associated with the growth-related capital forecast contained in the Development Charge Background Study, which is estimated to reach \$61.2 million for general services and \$8.3 million for City-Wide Engineering Services by 2031;
7. THAT Council commit to funding the full life-cycle costs associated with the growth-related capital forecast contained in the Development Charge Background Study, which are estimated to reach \$18.3 million by 2032 for general services, \$22.5 million by 2032 for city-wide engineering services, and \$2.5 million for related assets covered by the Area-Specific Development Charges;
8. THAT Council commit to funding the capital costs that require funding from non-development charge sources associated with the growth-related capital forecast contained in the Development Charge Background Study, which is estimated to be a total of \$34.6 million over the next ten years;
9. THAT Council confirm that no further public meetings pursuant to the *Development Charges Act, 1997* are required prior to the enactment of the new Development Charge by-laws;
10. THAT notice of adoption of the by-laws be given as required under the *Development Charges Act, 1997*; and,

11. THAT City staff be authorized to attend the Ontario Land Tribunal or the courts, as appropriate, to defend the City's position if any of the by-laws are appealed.

Background

On June 6, 2019, *Bill 108, More Homes, More Choice Act*, 2019 received royal assent and outlined several changes to the *Development Charges Act, 1997*, SO 1997, c.27 ("**DCA**") and the *Planning Act*, RSO 1990, c. P.13 ("**Planning Act**"). These changes were further amended by Bill 138, *Plan to Build Ontario Together Act*, 2019 and by Bill 197, *COVID-19 Economic Recovery Act*, 2020. These bills received royal assent on December 10, 2019 and July 21, 2020 respectively.

The Development Charges Background Study and By-law Update were initiated in mid-2021.

The DCA, as amended, provides Ontario municipalities with the authority to recover for growth related capital costs. Typically, this includes infrastructure such as watermains, sewers, roads, recreation centres, libraries and fire stations. This is a vital financial tool for many municipalities to help fund their capital plans related to growth.

The City of Vaughan's current Development Charge By-law 083-2018 expires on September 21, 2023. Although By-law 083-2018 will not expire until 2023, the Development Charge Background Study and By-law update began in mid-2021 in order to ensure cohesiveness between the DC, CBC and Parkland Dedication studies that are underway and to allow for adjustments to be made in alignment with new legislation. The preliminary rates were shared publicly on April 12, 2022, a public statutory meeting was held on May 10, 2022 in accordance with the DCA and consultation with the development industry has been ongoing throughout the process.

City-Wide Development Charges are calculated on the basis that the new infrastructure benefits growth city-wide.

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

General Services

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

- Development Related Studies
- Library Services
- Fire and Rescue Services
- Community Services (which includes Parks and Recreation and Services related to proceedings under the *Provincial Offences Act*, including by-law enforcement services and municipally administered court services)
- Services Related to a Highway: Public Works - Buildings 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. These services were generally limited to only being funded at 90% of the cost, with the exception of fire services, but legislative changes resulting from Bill 108/197 now allow for these types of services to be fully funded from DCs.

City-Wide Engineering Services are calculated on the basis that the new infrastructure benefits growth city-wide.

The City-Wide Engineering Services program includes planned projects out to the planning horizon of 2031. The City-Wide Charge for Engineering Services (or hard services) recovers the cost of the following types of infrastructure:

- Services Related to a Highway (includes roads, structures, land requirements, sidewalks, streetlights, active transportation and urban design)
- Water Services
- Storm drainage and control (mostly related road related infrastructure)
- Development-related studies

Area Specific Development Charges (“ASDCs” are calculated on the basis that they benefit a specific area.

ASDCs 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. ASDCs can vary significantly depending on the amount of benefiting land to share the cost and the magnitude of cost related to the specific infrastructure. ASDCs are currently used to recover the following types of Services:

- Wastewater
- Select Storm Drainage Facilities
- Select Watermain Works (Prior to 2018)

Staff have convened workshops and technical meetings with the development industry to discuss the DC updates and the CBC Strategy.

A total of three (3) workshops, four (4) technical meetings and one (1) BILD York Chapter meeting have taken place with the development industry:

1. Workshop #1 – January 20th, 2022
2. Technical Meeting #1 – February 25th, 2022
3. Workshop #2 – March 1st, 2022
4. Technical Meeting #2 – March 18th, 2022
5. Technical Meeting #3 – April 25th, 2022
6. Workshop #3 – May 9th, 2022
7. Technical Meeting #4 – May 27th, 2022
8. BILD York Chapter Meeting – May 30th, 2022

The workshops included members of the Building Industry and Land Development Association (“**BILD**”). In between these workshops several correspondences, including the exchange of detailed supporting background information, and four technical meetings took place to discuss the technical aspects of the draft calculations.

Previous Reports/Authority

[April 12, 2022 – Committee of the Whole \(2\) – “City-Wide Development Charges Update and Community Benefits Charge Strategy”](#)

[May 10, 2022 – Committee of the Whole \(2\) – “City-Wide Development Charges and Area Specific Development Charges Public Statutory Meeting and Community Benefits Charge Update”](#)

Analysis and Options

Hemson Consulting Ltd. (“**Hemson**”) was retained to prepare the updated DC Background Study and has been working closely with staff and the Development Industry to produce the technical foundation for the study. The DC Background Study has been produced in accordance with the DCA and its associated regulations. The DC Background Study contains both the capital programs and the service level analysis for

all DC eligible services and also provides the growth-related assumptions that help formulate the rate calculation.

Several adjustments were made to the assumptions and rates through the consultation process

Through the consultation process City staff collaborated with the development industry and share a series of correspondence regarding the technical aspects of the DC Background Study. Where deemed appropriate, staff have made a series of adjustments to the underlying assumptions within the model. This has resulted in an overall decrease to the City-Wide DC rated being recommended by staff as compared to what was presented on April 12, 2022 and subsequently at the public statutory meeting on May 10, 2022. Below outlines the details of the study as being recommended for approval.

Benefit to Existing is now being proposed as a part of the overall engineering program.

Benefit to Existing (“**BTE**”) is the portion of a project identified in the DC Background Study that is considered to benefit existing population. These portions of cost are required to be identified and funded from a source other than development charges. Historically, the City of Vaughan has not attributed any BTE within the engineering program as all costs identified in previous DC Background Studies was considered to be fully driven by growth.

As the City begins to intensify, it has been determined that BTE should now be recognized on specific projects that will provide a benefit to the existing community. As a part of the DC Background Study Update staff are recommending that a share of cost be identified as BTE for the following projects:

- Active Transportation – 10%
- Grade Separations – 10%
- Traffic Signals, Streetlights and Sidewalks – 5%

City staff will continue to evaluate the requirement for BTE and will make future adjustment as deemed necessary.

The City-Wide DC Background Study uses a 45% intensification scenario as the basis for the population and employment forecasts.

A growth forecast for the ten-year period from 2022 – 2031 was completed by Hemson. The residential development forecast is based on forecasts of population and households, consistent with the York Region 45 per cent intensification scenario used in the Region's 2017 DC Background Study and the City's 2018 DC Background Study. The population and household growth determines the need for additional facilities and provides the foundation for the development-related capital program. City staff will revisit the assumptions used in the DC Background Study upon the approval of a new City Official Plan.

Some key highlights:

- Estimates place the City's net population growth¹ at 82,500 people by 2031.
- Population growth in new housing units is expected to add 82,600 people by 2031.
- The City's employment is forecasted to grow by approximately 39,200 employees by 2031.
- This employment growth is projected to generate about 2.6 million square meters of new non-residential building space by 2031.

The DC Background Study reflects \$4.0 billion in gross capital costs, of which \$2.4 billion may be recovered through DCs under the proposed DC by-law.

The DC Background Study has identified approximately \$4.0 billion in gross capital costs of which approximately \$2.4 billion may be recovered through development charges under this DC by-law. The gross capital costs identified in the DC Background Study include:

- \$44.2 million for development related studies;
- \$93.9 million for library services including six new library facilities;
- \$79.8 million for fire services including four new fire stations;
- \$858.7 million for community services including seven new community centres, new parkland development, playing fields, playgrounds and trails;
- \$59.7 million for public works facilities including a new operations centre, fleet and equipment; and
- \$2.9 billion² associated to city-wide engineering services.

DCs fund a portion of the costs associated with growth along with other funding sources including tax levies, user fees and grants. Of the total \$4.0 billion of gross costs

identified just over 60% or \$2.4 billion are eligible for recovery from DCs under the proposed 2022 DC By-law.

¹The increased need for service required to service the anticipated development is based on the “net” population and employment growth in the City. This is the increase after considering the expected continuation of the decline in occupancy factors in existing housing units.

² Figure after grants are considered

City of Vaughan DCs reflect the growth-related services that are required over the next 10-years to support growth.

To provide sufficient DC funding for the forecasted growth-related capital program, the DC for all residential types have increased. For a Single/Semi Detached home, the overall DC is required to increase by 31%. This is comprised of an increase of 43% for the City-Wide Engineering Charge, which reflects cost increases being experienced for roads and related projects due to increases in construction costs, land costs and inflation, and an increase of 11% for the general services charge, which is primarily being driven by inflation and the removal of the 10% statutory discount from the calculation.

For other residential types, the overall DC is required to increase by 31% for Towns & Multiples, 34% for Large Apartments, and 34% for Small Apartments. The difference in the increases over the different residential types is due to slight changes in the forecasted occupancy patterns over the planning period from the 2018 DC Background Study.

For each residential category the DC rates were established based on the development and growth forecast, infrastructure costs, statutory deductions, and open reserve balances. The split by service area is demonstrated in Figure 1 below for the proposed Single and Semi-Detached Dwelling rate under the proposed DC by-law, for a total of \$80,420.

Figure 1: Proposed 2022 Development Charge Rate for a Single and Semi-Detached Dwelling, by Service (\$80,420)

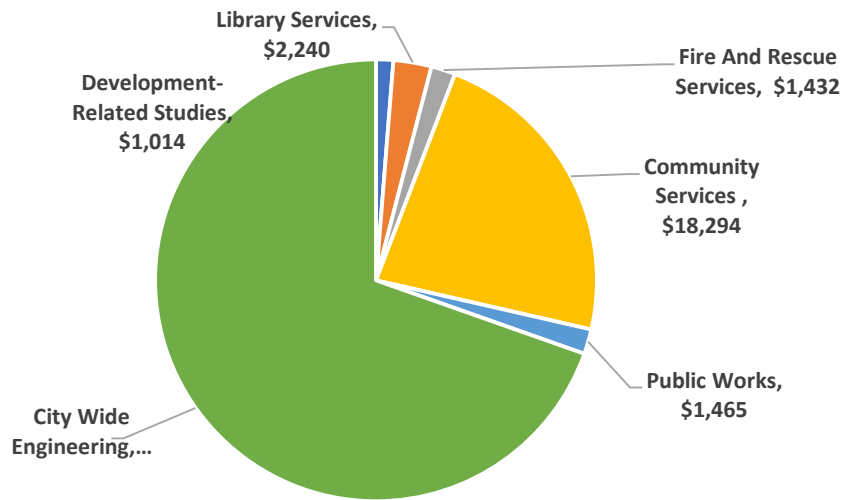


Table 1 below presents the 2022 proposed rates as compared to the 2018 rates as indexed to January 1, 2022.

Table 1: Residential Rate Comparison

Unit Types	Current	Proposed	Difference (\$)	Difference (%)
Singles & Semis	\$ 61,215	\$ 80,420	\$19,205	31%
Townhouses & Multiples	\$ 50,493	\$ 66,163	\$15,670	31%
Large Apartments	\$ 37,333	\$ 49,974	\$12,641	34%
Small Apartments	\$ 26,907	\$ 36,016	\$9,109	34%

The non-residential rates are also increasing.

Non-Residential rates per square metre are required to increase by 41% owing mainly due to the larger impact that City-Wide Engineering Services has on the overall charge. Services for libraries, and community services are not included in the non-residential rate. Table 2 presents the 2022 proposed rates as compared to the 2018 rates (indexed to January 1, 2022).

Table 2: Non-Residential Rate Comparison

Service	Non-Residential (\$/Square Metre)			
	Current Non-Res Charge*	Proposed Non-Res Charge	Difference in Charge	
Development-Related Studies	\$5.44	\$4.28	(\$1.16)	-21%
Library Services	\$0.00	\$0.00	\$0.00	0%
Fire And Rescue Services	\$5.31	\$6.04	\$0.73	14%
Community Services	\$0.00	\$0.00	\$0.00	0%
Public Works: Buildings And Fleet	\$5.54	\$6.20	\$0.66	12%
Subtotal City Wide General	\$16.29	\$16.52	\$0.23	1%
City Wide Engineering	\$162.40	\$236.14	\$73.74	45%
Total City Wide Non-Residential	\$178.69	\$252.66	\$73.97	41%

Along with the City-Wide DCs the City is also updating existing ASDCs as well as proposing two new charges.

Several existing ASDCs are proposed to continue with an effective date of July 1, 2022. Collection continues in each of the existing benefiting areas to recover the cost of the infrastructure. Variations in the rates are shown in Table 3 and are attributable to modifications in net developable area remaining within the individual benefiting areas and adjustments to costs as better information has been made available. For the purposes of this DC update, the VMC West Interchange Sanitary Sewer and Black Creek Channel and Edgeley Pond ASDCs have been excluded as these were just established in June and December of 2021 respectively.

The DCA requires municipalities to consider ASDCs as part of the DC Background Study. Although the City of Vaughan has continued to use ASDCs in the preparation of this study and has historically been considered a leader in this practice amongst its peers, staff will continue to evaluate opportunities for ASDCs, which can result in further alignment of the costs and benefits.

The ASDC for Pressure District 7 Watermain West is proposed to be discontinued as the works have been deemed to be substantially completed and no further reimbursements to front ending developers are required. Any remaining funds will then be transferred to the Engineering Services City-Wide Development Charge Reserve and the completed ASDCs will be closed.

Table 3: Area Specific Development Charge Rate Comparison

Area Specific Development Charge Works	Current Rates*	2022 Proposed Charge Per Net
Rainbow Creek Drainage Works	\$3,487	\$4,290
PD5 West Woodbridge Watermain	\$9,974	\$8,082
Zenway Huntington Sanitary Sub-Trunk	\$13,921	\$10,580
Hwy 27 South Servicing Works	\$214,280	\$172,589
Huntington Sanitary Sub-Trunk (Trade Valley to Rutherford)	\$10,932	\$8,571
VMC Interchange Stormwater Management Works	\$891,758	\$1,512,542
Steeles West Sanitary Sewer Improvements	\$75,218	\$71,687
Steeles West Stormwater Management Works	\$1,173,257	\$1,234,757
Woodbridge Avenue Sanitary Sewer Improvements	\$15,342	\$29,991
New Rainbow Creek / Milani Blvd Sanitary Sub-Trunk		\$3,166

The remaining proposed ASDCs are based on dwelling unit and square meters of gross floor area (“**GFA**”) and are listed in Table 4 below.

Table 4: Area Specific Development Charges Calculated by Per Unit and Sq. M.

Area Specific Development Charge Works	Singles & Semis	Townhouses & Multiples	Large Apartments (>= 700 sf.)	Small Apartments (>700 sf.)	Non-Residential (\$/M ²)
VMC SE Doughton Sanitary Sewer Improvements	\$709	\$584	\$441	\$318	\$6.98
New VMC Jane Street Sanitary Trunk Sewer Improvements	\$345	\$284	\$214	\$154	\$3.81

As part of the DC By-Law update City Staff are recommending some minor policy updates to align with the Region where practical.

Certain areas of the City’s DC By-law are recommended to be revised to align more closely to the Region. This includes changes in the following areas:

- Allowing tiny homes and stacked towns to be charged at the apartment rates;
- Align position regarding the collection of DCs on indoor parking;
- Providing exemption for places of worship; and
- Exempting the playing surface of indoor sports facilities.

Updates to several of the City’s DC related policies will also be forthcoming to respond to some changes in legislation that resulted from Bill 197 and other minor housekeeping amendments.

Staff are recommending that the effective date of the City-Wide DC By-law be set to June 1, 2023.

To provide for a transition to the development industry, staff are recommending that the existing City-Wide DC By-Law remain in effect until June 1, 2023 upon which time the new DC By-Law will go into effect, thereby repealing and replacing By-Law 083-2018. This will allow for a staggering of the rate increase from the Region and allow developments that are imminently pulling building permits to pay at the existing rates.

In prior DC Background Study updates pre-payment agreements have been used to provide for a similar type of transition. This is not being recommended as a part of the DC Background Study Update as a delayed effective date to the new 2022 by-law provides for a similar transition.

Financial Impact

All funding for the 2022 DC Background Study Update has been approved within the Financial Planning and Development Finance capital budget (project BU-2554-20).

The outcome of this project will impact the entire corporation as the 2022 Development Charges Background Study will be used in future fiscal planning and decision making.

Broader Regional Impacts/Considerations

Regional Council has recently approved a new DC Background Study and By-law which will go into effect on June 17, 2022. City staff provided feedback throughout the course of their Study development. In addition to these meetings, City staff has engaged with Regional staff during the City-Wide DC By-law update to ensure coordination and cohesiveness between the approach of the Region and the City.

Conclusion

The overall objective of the DC Study Update is to achieve the fullest cost recovery allowable under legislation. Completion of the 2022 City-Wide DC Background Study and ASDCs, and related by-laws and policies is a vital step towards ensuring long term financial sustainability for the City of Vaughan by ensuring that growth-related revenue collections are in line with anticipated growth pressures to be experienced by the City.

For more information, please contact: Brianne Clace, Project Manager, Financial Sustainability at ext. 8284 or Nelson Pereira, Manager of Development Finance at ext. 8393

Attachments

1. Development Charges Background Study, Hemson Consulting Ltd., June 21, 2022
2. City-Wide Development Charges By-Law
3. Rainbow Creek Drainage Works ASDC By-Law
4. PD5 West Woodbridge Watermain ASDC By-Law
5. Zenway Huntington Road Sanitary Sub-Trunk ASDC By-Law
6. Highway 27 South Servicing Works ASDC By-Law
7. Huntington Sanitary Sub-Trunk (Trade Valley to Rutherford) ASDC By-Law
8. VMC Interchange Storm Water Management Works ASDC By-Law
9. Steeles West Sanitary Sewer Improvements ASDC By-Law
10. Steeles West Storm Water Management Works ASDC By-Law
11. Woodbridge Avenue Sanitary Sewer Improvements ASDC By-Law
12. Rainbow Creek Milani Blvd Sanitary Sub-Trunk ASDC By-Law
13. VMC SE Doughton Sanitary Sewer Improvements ASDC By-Law
14. VMC Jane Street Sanitary Trunk Sewer Improvements ASDC By-Law

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