

Committee of the Whole (2) Report

DATE: Tuesday, September 19, 2023

WARD(S): ALL

TITLE: DEVELOPMENT REIMBURSEMENT AND CREDIT POLICY

FROM:

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

ACTION: DECISION

Purpose

To introduce a policy to formalize the City's position as it relates to development charge (DC) reimbursement and/or credits for growth-related, eligible works, designed and constructed by developers on behalf of the City in advance of the City's timing to deliver.

Report Highlights

- The City of Vaughan already undertakes the reimbursement and/or credit of DCs.
- This policy is intended to formalize processes that are already in place.
- A DC reimbursement is the repayment of DCs for works undertaken on behalf of the City by a developer.
- A DC credit is when a DC credit is provided in lieu of a DC payment for a developer that has constructed works that are the subject of the charge as is sometimes the case with Area Specific Development Charges (ASDCs)
- The policy is also intended to establish general principles, such as:
 - Agreement requirements,
 - The City's position on the payment of interest,
 - Timing and frequency of reimbursement payments, and
 - Roles and responsibilities of staff.

Recommendations

1. That Council approve the Development Charges Reimbursement and Credit Policy (Attachment 1) to administer DC reimbursements and/or credits.

Background

The City of Vaughan currently allows for the reimbursement and/or credit of DCs to developers for the design and construction of works that are considered growth-related and identified in the City's DC background study. These arrangements allow for infrastructure to be designed and constructed in advance of the timing that may have been contemplated by the City. By allowing a developer to initially pay for and construct works on behalf of the City, it ensures that the infrastructure necessary for their development, and in some cases, future development, is delivered in a timely fashion that aligns with the rate and pace of private development.

The purpose of this policy is to formalize the process which includes the terms, conditions, and restriction under which the City will enter into such an agreement with a developer to advance DC eligible works. This policy will apply to landowners, builders, developers and developer groups carrying out private development within the City.

The City currently includes clauses regarding the reimbursement for DC eligible works within subdivision, servicing, spine and development agreements. These clauses indicate the necessary requirements to process a reimbursement once the works are completed.

Previous Reports/Authority

N/A

Analysis and Options

A DC reimbursement is the process through which the City may repay development charges through an approved capital project to a developer for growth-related DC eligible works that have been undertaken on behalf of the City. A DC Credit is when, in the case of an ASDC, the developer that is constructing the works on behalf of the City is provided a credit in lieu of payment as the work was initially undertaken at their cost.

If the City should agree to the design and construction of works by a developer, the works, including the parameters of such work, the upset limit for DC reimbursement and/or credit, and requirements of the City prior to repayment, would be included as a part of a subdivision, spine services and/or development agreement.

The DC Reimbursement and Credit Policy establishes a series of eligibility requirements and conditions to determine if a project would be considered eligible for a DC reimbursement or credit. Below is a general list of eligibility criteria and conditions used in the determination if a project may be subject to a reimbursement or credit:

- The project must be included in the City-Wide DC Background Study or an ASDC Background Study.
- The project must not be considered local works as defined under the City's "Local Service Policy – 12.C.01".
- Any parks related projects would be subject to the City's "Developer Build Parks Policy – 07.2.05" and the DC Reimbursement and Credit Policy will not override the parks policy.
- Temporary works will not be considered reimbursable.
- All works undertaken by a developer on behalf of the City are undertaken at their own risk including risks associated with legislative changes and capital budget approvals through the City's annual budget process.

Upon completion of a projects or works by a developer, on behalf of the City, a developer may request the repayment or reimbursement of DCs for the works. City staff will complete any necessary inspections and review the as-built construction documentation to ensure adherence to City requirements.

Financial Impact

DCs are the City's primary source of funding for growth-related capital infrastructure. Reimbursement for DC related infrastructure works is appropriate when the works are in alignment with the City's DC Background Study and are prioritized against other City priorities as a part of the City's budget process.

DC reimbursements or credit will only be issued by the City upon completion of the design and construction of the infrastructure outlined in the agreement to the satisfaction of the City. The reimbursement or credit amount shall always be the lesser of:

- a) The Developer's actual total project cost up to the upset limit as stipulated in the related agreement; and
- b) The estimated project cost, as stated in the DC Background Study.

Reimbursements of development charges will be made from an approved capital project only when the development charge reserve funds are available. In the case of City-

Wide DCs, typically the full reimbursement amount would be available in the relevant reserve and a lump sum payment would be made that represents the full cost of the works. In the case of ASDCs, payments may be required to occur over a longer period of time as funds will only be released to the developer as the City actualizes collections.

Additionally, the policy states that the City will not index the reimbursement or credit amount and the City shall not be responsible for compensating the developer for interest.

Operational Impact

The steps required to provide DC reimbursement and credits is already included as a part of the development engineering agreement process at the City of Vaughan. This policy formalizes this process, but no additional operational impacts beyond that which already occur are expected. Departments that are impacted by this policy were consulted as a part of the policy development.

Broader Regional Impacts/Considerations

As this policy is regarding City infrastructure, it does not impact the Region specifically. It should be noted that the Region has a similar policy titled “Development Charges Credit Policy”, which City Staff reviewed as a part of the preparation of the policy that is the subject of this report.

Conclusion

This policy will provide important guidance to staff with regards to the governance of DC reimbursement and/or credits as well as requirements of the development industry. This policy will ensure that all roles and responsibilities are understood ensuring the process is consistent as we move forward with further reimbursements and/or credits into the future.

For more information, please contact: Nelson Pereira, Manager of Development Finance, ext. 8393

Attachments

1. Development Charges Reimbursement and Credit Policy, Financial Planning and Development Finance, December 1, 2023

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Approved by



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Reviewed by



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