

## Committee of the Whole (2) Report

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**DATE:** Tuesday, April 12, 2022

**WARD(S):** ALL

**TITLE: CITY-WIDE DEVELOPMENT CHARGES UPDATE AND  
COMMUNITY BENEFITS CHARGE STRATEGY**

**FROM:**

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

**ACTION:** FOR INFORMATION

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**Purpose**

To present the Draft 2022 City-wide and Area Specific Development Charges (“**DC**”) Background Study and Draft Community Benefits Charges (“**CBC**”) Strategy and to communicate the timing of the statutory public process leading to the approval of the new DC By-Laws and the CBC By-Law.

**Report Highlights**

- Development Charge Background Study and By-Laws to be released in accordance with the *Development Charges Act, 1997*.
- Draft CBC Strategy prepared and released publicly.
- Public Statutory Meeting will be advertised and held in May for the DC Background Study in accordance with the *Development Charges Act, 1997*.

**Recommendations**

1. That the Draft 2022 City-wide and Area Specific Development Charges Background Study be made available to the public sixty (60) days in advance of the passage of the by-law in accordance with the *Development Charges Act, 1997*;
2. That the Draft City-wide and Area Specific Development Charge (“**ASDC**”) By-laws be made available to the public at a date to be established by the Chief

Financial Officer, but no later than two (2) weeks in advance of the public statutory meeting;

3. That the Draft CBC Strategy be made available to the public in advance of the passage of the By-Law;
4. That the Draft CBC Strategy By-law be made available to the public at a date established by the Chief Financial Officer; and
5. That staff be authorized to advertise the Public Statutory Meeting at least twenty (20) days in advance of the date of the meeting in a method that is consistent with the requirements of the *Development Charges Act, 1997*.

## **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* (“**DCA**”) and the *Planning Act*, R.S.O. 1990 (“**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.

In addition to changes to the DCA, Bill 108 included changes to municipal authority whereby Section 37 of the *Planning Act*, height and density bonusing was repealed and replaced with a CBC that is to be applied to new mid to high-density developments. This charge would be used to fund the initial round of capital cost for projects (or shares of projects) that are not already funded through development charges or for services that are growth-related but ineligible for DC funding. This could include capital such as public art, parkland enhancements, and other items that would have been previously funded through Section 37.

***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 with external stakeholders on March 1, 2022 and further refined through the first half of March.

This report serves as the notice of public release of the draft Background Study and By-Laws. The time between the release of the draft study and rates to the statutory public meeting planned for May 10, 2022 will allow Council, the general public, and the development industry an opportunity to further review and meet to discuss the technical data.

***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 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)

***Height and density bonusing has been repealed and replaced with CBCs which require a CBC Strategy before a by-law can be passed to impose CBCs.***

Section 37 of the *Planning Act* was a planning tool that permitted the City to authorize increases to height and/or density through a site-specific zoning by-law in return for community benefits such as specified facilities, services or other matters from landowners. As a part of Bills 108/138/197, the *Planning Act* was revised, and the original Section 37 provisions were repealed and replaced by the Community Benefits Charge which allows a municipality to impose CBCs against land to pay for the first round capital costs of facilities, services and matters required because of the development or redevelopment in the area to which the by-law is applied.

The amendments to the DCA and *Planning Act* as they relate to the CBC received royal assent in June 2019, but a two-year transitional period was provided following the proclamation of the amendments in September of 2020. As such municipalities have until September 18, 2022 to develop their CBC Strategies and pass a CBC By-law after which time the ability to pass by-laws in reliance of the traditional Section 37 provision of the Planning Act (which have since been repealed) will cease to exist.

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

A total of two (2) workshops and two (2) technical meetings have taken place with the development industry:

1. Workshop #1 – January 20<sup>th</sup>, 2022
2. Technical Meeting #1 – February 25<sup>th</sup>, 2022
3. Workshop #2 – March 1<sup>st</sup>, 2022
4. Technical Meeting #2 – March 18, 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 two technical meetings took place to discuss the technical aspects of the draft calculations. It is anticipated that ongoing correspondence, meetings and collaboration will continue until the finalization of the new by-laws.

**Previous Reports/Authority**

City-Wide Development Charges Background Study and By-law Update, April 20, 2021  
<https://pub-vaughan.escribemeetings.com/filestream.ashx?DocumentId=65218>

**Analysis and Options**

Hemson Consulting Ltd. (“**Hemson**”) was retained to prepare the updated DC Background Study and CBC Strategy and have been working closely with staff and the Development Industry to produce the technical foundations for the studies. The DC Background Study and CBC Strategy have been produced in accordance with the DCA and the *Planning Act* and their associated regulations. The DC Background Study and CBC Strategy contain both the capital programs and the service level analysis for all DC/CBC eligible services and also provides all the growth-related assumptions that help formulate the rate calculation. The rates calculated are draft in nature and are subject to adjustment based on changes to any draft data within the draft study before the enactment of the final by-law(s).

***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 growth\* 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 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.

***The DC Background Study reflects \$4.2 billion in gross capital costs, of which \$2.6 billion may be recovered through DCs under the proposed DC by-law.***

The DC Background Study has identified approximately \$4.2 billion in gross capital costs of which approximately \$2.6 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
- \$3.1 billion 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 \$4.2 billion of gross costs identified just over 60% or \$2.6 billion are eligible for recovery from DCs under the proposed 2022 DC By-law.

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

In order 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 41%. This is comprised of an increase of 57% 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.

For other residential types, the overall DC is required to increase by 40% for Towns & Multiples, 43% for Large Apartments, and 43% 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 \$86,033.

**Figure 1: Proposed 2022 Development Charge Rate for a Single and Semi-Detached Dwelling, by Service (\$86,033)**

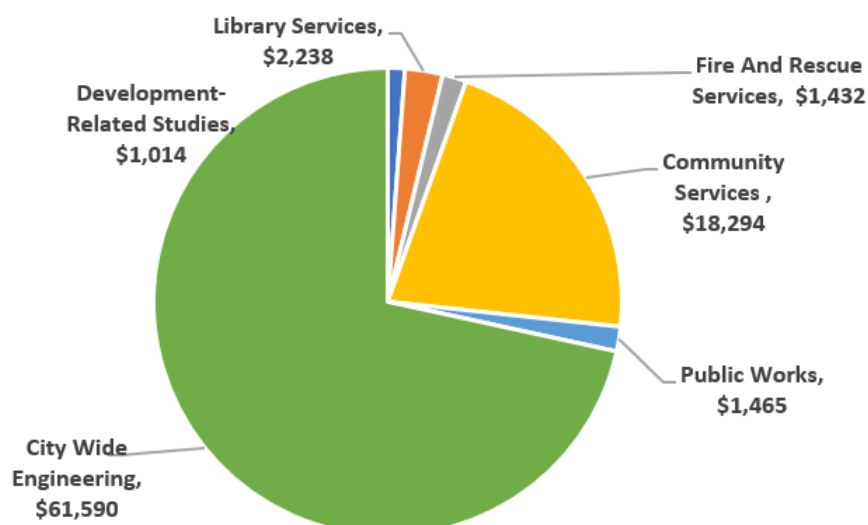


Table 1 below presents the 2022 proposed rates as compared to the 2018 rates as indexed to January 1, 2022.

**Table 1: Residential Rate Comparison**

Unit Types	Current	2022 Proposed	Difference (\$)	Difference (%)
Singles & Semis	\$61,215	\$86,033	\$24,818	41%
Townhouses & Multiples	\$50,493	\$70,780	\$20,287	40%
Large Apartments	\$37,333	\$53,462	\$16,129	43%
Small Apartments	\$26,907	\$38,530	\$11,623	43%

***The non-residential rates are also increasing.***

Non-Residential rates per square metre are required to increase by 55% 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*	2022 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%
<b>Subtotal City Wide General</b>	<b>\$16.29</b>	<b>\$16.52</b>	<b>\$0.23</b>	<b>1%</b>
City Wide Engineering	\$162.40	\$259.84	\$97.44	60%
<b>Total City Wide Non-Residential</b>	<b>\$178.69</b>	<b>\$276.36</b>	<b>\$97.67</b>	<b>55%</b>

***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. 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 Black Creek Channel and Edgeley Pond ASDCs and VMC West Interchange Sanitary Sewer have been excluded as these were just established in June and December of 2021.

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, there could be additional 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. This is because 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 Developable Ha
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	\$71,695
Steeles West Stormwater Management Works	\$1,173,257	\$1,234,757
Woodbridge Avenue Sanitary Sewer Improvements	\$15,342	\$29,991
<b>*New*</b> Rainbow Creek / Milani Blvd Sanitary Sub-Trunk		\$3,166

\*Current as of January 1, 2021

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 <sup>2</sup> )
VMC SE Doughton Sanitary Sewer Improvements	\$709	\$584	\$441	\$318	\$6.98
<b>*New*</b> 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.

### ***The CBC Strategy***

The CBC Strategy is accompanying the City-Wide DC Background Study in the attachments of this report and is intended to support the collection of a CBC charge to fund a wide range of capital costs, of any public service, that are related to the needs associated to new growth if these costs are not already recovered from development charges and parkland provisions. A CBC can be used to fund services provided for under a DC by-law, and for parkland acquisitions, as long as there is no duplication of recovery of the same capital costs under another growth funding tool.

### ***CBCs can only be levied against medium and high-density residential developments.***

A CBC can only be levied against medium and higher density residential development if it meets the two following criteria:

- Five or more storeys; and
- Contains 10 or more residential dwelling units

A mixed-use development can also be subject to a CBC charge if the development meets the above criteria.

O. Reg. 509/20, being a regulation made under the *Planning Act* with respect to CBCs also provides for a number of statutory exemptions for the payment of CBCs including:

- Long-term care and retirement homes;
- Colleges, universities and post-secondary indigenous institutes;
- Royal Canadian Legion;
- Hospice for end of life care: and
- Non-profit Housing

***A CBC charge cannot exceed 4% of the land value of the site for which the levy applies***

Subsection 37(32) of the *Planning Act* provides that there is a maximum permitted charge that can be levied which is prescribed within O.Reg 509/20 as being four percent of the land value for sites that meet the criteria above on the day before building permit issuance.

Further, the *Planning Act* mandates several steps that a municipality must take to charge CBCs. They include:

- Preparing a development forecast;
- Determining the increased need arising from development;
- Determining how these costs are attributable to CBC development;
- Identifying any access capacity that exists; and
- Estimate benefit to existing shares, grants, subsidies or other contributions

***The CBC revenue potential has been estimated at approximately \$18.9 million***

Over the 10-year planning period from 2022 – 2031, the City is anticipating to grow by approximately 10,500 units in buildings that would be subject to the CBC charge. As the maximum upset limit of the charge is 4% of land value, the CBC revenue potential was estimated at a high-level using this assumption which indicates that approximately \$18.9 million, or approximately \$1,800 per unit, could be generated from these units.

***The CBC capital needs exceed the revenue forecast which justifies a 4% of land value charge***

As a part of the development of the CBC strategy staff identified projects that could be funded from CBCs. The projects that were included in the CBC capital program are summarized in Table 5 below.

**Table 5: CBC Capital Program**

Service Category	Gross Program	Less Replacement and BTE Shares	Less 2022 DC Study Share	Remaining Development Related	Total CBC Eligible Program
Community Facilities and Amenities	\$392.9 M	\$7.2 M	\$154.4 M	\$231.3 M	\$56.6 M
Parking	\$3.5 M	\$0	\$0	\$3.5 M	\$0.6 M
Public Art and Culture	\$39.6 M	\$0	\$0	\$39.6 M	\$28.2 M
Studies and Administration	\$0.5 M	\$0	\$0	\$0.5 M	\$0.5 M
<b>Total CBC Program</b>	<b>\$436.5 M</b>	<b>\$7.2 M</b>	<b>\$154.4 M</b>	<b>\$274.9 M</b>	<b>\$85.9 M</b>

The estimated net CBC eligible costs of this growth-related capital program totals \$85.9 million. Under each of these services, the City anticipates development-related project costs to arise, fully or partially driven by mid- to high-density residential and mixed-use development, to which the CBC charge would apply.

***It is evident that there is not sufficient revenue anticipated to be collected to meet the increased needs arising from CBC eligible development.***

As described above, the net CBC eligible cost of the capital program is \$85.9 million. However, as the total forecasted revenue identified is approximated at \$18.9 million based on the 4 percent cap, it is evident that the capital needs cannot be fully funded by potential CBC revenues. Therefore, staff recommend that the CBC charge be calculated on a land value basis to maximize the City's CBC revenue collections.

***Implementation and Administration; Land appraisals will be required in order to determine the CBC charge payable***

Individual CBC obligations will be calculated based on the market value of the site on the day before issuance of the first building permit. Payment is required prior to the issuance of a building permit by the City. If the developer considers the charge is higher than four per cent of land value, they can submit a payment under protest and must submit an alternate appraisal within 30 days. The City then has 45 days to provide the appraisal upon which the charge was based.

If the appraisals (City and developer) are within 5 per cent of each other the City must refund the difference. However, if the appraisal difference is greater than 5 per cent, The City will request the developer to select one of three appraisers from a City list. That will be the final appraisal and if it results in a lower CBC rate than paid, the City must refund the difference. Table 6 below provides a summary of the appraisal and dispute process.

	Planning Act	Timing	Action	Outcome
Charge as set by City	37(44)	Building permit	Developer pays	Payment received – process complete
			Developers pays under protest	New appraisal required
Payment under protest	37(33)	30 days	Developer submits appraisal to City	City review need for new appraisal or accept value
City disputes developer's value	37(35)	45 days	City submits appraisal to applicant	Joint review - if less than 5 percent difference, use higher value
Arbitrated value	37(38)	60 days	Applicant picks appraiser from City roster	New appraisal sets value
In-kind contribution	37(7)	Before providing service / facility	City to advise applicant of in kind value	No appeal process. Value is deducted from charge

***A special reserve account is required and CBCs collected and spent must be reported on annually.***

In addition to the appraisal process outlined above, staff are required to set up a special account for the collection of CBCs. Existing reserves that will be transferred to the CBC Special Account and will include any unspent or unallocated portions of the existing funds in the legacy Section 37 bonus zoning reserve less any prior commitments. The

legacy section 37 monies will continue to be tracked to ensure that the funds are spent in alignment with their associated development agreement.

Annually, the City is required to allocate or spend 60% of the funds within the special account to CBC eligible projects. The City must also provide annual statements to the public each year in respect of the preceding year including the opening and closing balances, and details of the amounts spent.

### ***In-kind contributions may be accepted by the City***

The City may allow developers to pay CBCs in part or in whole with in-kind contributions. The CBC By-law will be drafted in such a way as to allow for these types of contributions. The *Planning Act* does not define what types of in-kind contributions would be considered eligible or how the value of the contribution is to be determined. These types of contributions will be evaluated on a case-by-case basis and staff will work to develop a policy to assist with guiding the decisioning process.

### ***Next Steps***

Over the next two-months staff will continue to engage with the development industry and continue to make further refinements to the DC Background Study and CBC Strategy until final approval. Below is a schedule of key dates:

- May 10, 2022 – Statutory Public Meeting as required by the Development Charges Act
- June 21, 2022 – Seek Council Approval

The material attached to this report will be made available on the City's website and the draft City-Wide DC by-law and ASDC by-laws will be posted two weeks prior to the public statutory meeting in accordance with the *Development Charges Act*.

### **Financial Impact**

All funding for the 2022 DC Background Study Update and CBC Strategy have been approved within the Financial Planning and Development Finance capital budget (projects BU-2554-20 & BU-2560-20).

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

## **Broader Regional Impacts/Considerations**

Regional Council is also in the process of updating their Development Charge By-law and intend to seek Council approval of their by-law on May 26, 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. Only local municipalities can enact a CBC by-law.

## **Conclusion**

The overall objective of the DC Study Update and the creation of a CBC Strategy is to achieve the fullest cost recovery allowable under legislation. Completion of the 2022 DC Background Study, ASDCs, CBC Strategy 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., March 29, 2022
2. Community Benefits Charge Strategy, Hemson Consulting Ltd., March 29, 2022

## **Prepared by**

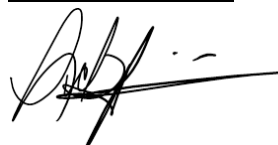
Brianne Clace, Project Manager, Financial Sustainability at ext. 8284

## **Approved by**



Michael Coroneos, Deputy City  
Manager of Corporate Services and  
CFO

## **Reviewed by**



Nick Spensieri, City Manager