

DATE: November 18, 2024

TO: Mayor and Members of Council

FROM: Michael Coroneos, Deputy City Manager, City Treasurer and Chief Financial Officer

RE: COMMUNICATION – Council – November 19, 2024

Committee of the Whole (2), November 12, 2024, Addendum Item #22

DEVELOPMENT CHARGES REDUCTION OPTIONS – RESPONSE TO MEMBER'S RESOLUTION

Below are the responses to the proposed amendments of Committee members presented and discussed at the Committee of the Whole meeting on November 12, 2024 for Item #22.

Recommendations

THAT Recommendations 2, 3, and 5 be revised to:

2. That staff be directed to revise the DC rates on all residential development applications to the rates in effect on September 21, 2018, until the later of November 19, 2029, or the passage of a new City-Wide DC Background Study and DC By-law, through the use of Section 27 agreements;

3. That staff be directed to revise the DC rates on low-rise residential development applications deemed complete or equivalent prior to September 21, 2018, to the rates in effect when those applications were made, until November 19, 2029, or the passage of a new City-Wide DC Background Study and DC By-law, whichever is later, through the use of Section 27 agreements;

5. Notwithstanding anything in the Development Charge Interest Policy – Under Sections 26.1, 26.2 And 26.3 of the Development Charges Act, 1997, Policy No. 12.C.17, that staff be directed to cease charging of interest on residential developments pursuant to sections 26.1 and 26.2 of the Development Charges Act until November 19, 2029, or the passage of a new DC Background Study and DC Bylaw.

In response to amendments passed by the Committee of the Whole, draft Policy 12.C.22 found at "Attachment 1" was updated. Some of the key revisions include :

- Section 1: "Development Approval" definition was revised to enable all types of Residential Development applications. Consent applications were added to the

definition to capture residential intensification which does not require a re-zoning, site plan or subdivision approval.

- Section 2: Revised parameters upon which a DC rate reduction or DC deferral will be provided by the City pursuant to a S. 27 Agreement. The policy is available for the later of five-year period or the enactment of a new DC Bylaw and a DC deferral can be made for two years. A developer shall obtain building permit issuance within 18 months of entering into a S. 27 Agreement. Should no building permits be issued in accordance with the terms of the s.27 Rate-Setting Reduction Agreement, the applicant/owner may elect to pre-pay DCs under the conditions of a separate 2-year Pre-payment agreement.
- Section 5: the owner shall provide a Letter of Credit, or other form of security to the satisfaction of the City Solicitor and Chief Financial Officer to secure the DC deferral.

For more information, contact Michael Marchetti, Director, Financial Planning & Development Finance, ext. 8271 or Nelson Pereira, Manager, Development Finance, ext. 8393

Respectfully submitted,

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



THE CORPORATION OF THE CITY OF VAUGHAN

CORPORATE POLICY

POLICY TITLE: DEVELOPMENT CHARGES RATE REDUCTION AND DEFERRAL FOR RESIDENTIAL DEVELOPMENTS

POLICY NO.: 12.C.22

Section:	Finance & Budgets		
Effective Date:	November 19, 2024	Date of Last Review:	Click or tap to enter a date.
Approval Authority:	Policy Owner:		
Council	DCM, Corporate Services, City Treasurer & Chief Financial Officer		

POLICY STATEMENT

A policy governing the reduction of Development Charge (DC) rates and DC deferrals until the later of November 19, 2029, or the enactment of a new City-Wide Development Charges By-law.

PURPOSE

The purpose of this policy is to establish the rules and practices for a DC rate reduction and deferring DC for residential development. This policy is in response to the Mayor's Resolution from September 17, 2024 that was ratified on September 24, 2024.

SCOPE

This policy applies to Low-Rise Residential, Residential Buildings and Mixed-use Buildings, subject to the terms and conditions as set out in this policy. To be eligible, such residential development must:

- have an Application approved and have not been issued a building permit, or;
- in the case of Low-Rise Residential Development, have an Application that has been deemed complete prior to September 21, 2018, and have not been issued a building permit; and
- enter into a Section 27 Agreement(s) prior to the later of November 19, 2029, or the enactment of a new City-Wide Development Charges By-Law.

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LEGISLATIVE REQUIREMENTS

The City is permitted to enter into deferral agreements pursuant to section 27(1) of the *Development Charges Act, 1997* which states: “A municipality may enter into an agreement with a person who is required to pay a development charge providing for all or any part of a development charge to be paid before or after it would otherwise be payable.”

The City is permitted to enter into agreements pursuant to section 27(2) of the *Development Charges Act, 1997* which states: “The total amount of a Development Charge payable under an agreement under this section is the amount of the Development Charge that would be determined under the by-law on the day specified in the agreement or, if no such day is specified, at the earlier of,

(a) the time the Development Charge or any part of it is payable under the agreement;

(b) the time the Development Charge would have been payable in the absence of the agreement. 1997, c. 27, s. 27 (2).”

This policy was prepared in accordance with the *Development Charges Act, 1997*, as amended.

DEFINITIONS

- 1) **Act:** The *Development Charges Act, 1997*, S.O. 1997, c. 27, as amended, revised, re-enacted or consolidated from time to time, and any successor statute.
- 2) **Area Specific Development Charges (ASDC):** A fee or charge imposed with respect to growth related net capital costs against a defined land area or per unit for specified services under the applicable By-law.
- 3) **Application:** Means a development application submitted to the City for zoning, plan of subdivision, site plan or consent (severance) approval in respect of a Low-Rise Residential Building, Residential Building or Mixed-Use Residential Building.
- 4) **Building Permit:** Means a permit or conditional permit issued under the *Building Code Act, 1992*, S.O. 1992, c. 23, which permits the construction of a building or structure, or which permits the construction of the foundation of a building or structure.
- 5) **Development Approval:** Final approval of any zoning, plan of subdivision, site plan application, or consent for land severance.

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- 6) Development Charges (DC):** Fees collected from developers to help to pay for the cost of infrastructure required to pay for municipal services to new development as prescribed by the Act.
- 7) Gross Floor Area:** Means the aggregate of the areas of each floor, whether above or below grade, measured between the exterior faces of the exterior walls of the building or structure or from the centre line of a common wall separating a nonresidential and residential use and,
- a) Includes the floor area of a mezzanine and the space occupied by interior walls and partitions;
 - b) Excludes, in the case of a building or structure containing an atrium, the sum of the areas of the atrium at the level of each floor surrounding the atrium above the floor level of the atrium;
 - c) Excludes the area of any self-contained structural shelf and rack storage facility approved by the Building Materials Evaluation Commission under the *Building Code Act, 1992*, S.O. 1992, c. 23, as amended;
 - d) Excludes the sum of the areas of each floor used, or designed or intended for use for the parking of motor vehicles unless the building or structure, or any part thereof, is a retail motor vehicle establishment or a standalone motor vehicle storage facility or a commercial public parking structure;
 - e) Excludes the surface area of swimming pools or the playing surfaces of indoor sport fields including but not limited to hockey arenas, and basketball courts; and
 - f) For the purposes of this definition, notwithstanding any other section of this this policy, the non-residential portion of a Mixed-use Building is deemed to include one-half of any area common to the residential and non-residential portions of such Mixed-use Building or structure.
- 8) Letter of Credit:** A form of financial security issued by a financial institution that guarantees payment or performance by one or more counterparties to a beneficiary (the City), in accordance with the City's Letter of Credit Policy 12.C.04, as may be amended from time to time.
- 9) Low-Rise Residential:** Means single-detached homes, semi-detached homes and townhouses, but excludes stacked townhouses, and small and large apartments.

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10) Residential Building: A residential use building, or the residential use portion of a Mixed-Use Building, and includes Low-Rise Residential.

11) Mixed-use Building: A building or structure containing residential and non-residential uses other than a home occupation, where the residential use is at least 51% of the Gross Floor Area of the building.

12) Other Security: Means any other form of security that has been approved by the City Solicitor and Chief Financial Officer to secure the DC deferral.

13) Section 27 Agreement: Means an agreement entered into between a developer and the City pursuant to Section 27 of the Act.

POLICY

1) DEVELOPMENT CHARGES SECTION 27 AGREEMENT FOR RATE REDUCTION AND DC DEFERRAL

- a) Upon obtaining Development Approval and prior to the issuance of the first Building Permit, a developer of a Residential Building or Mix-use Building may request a DC deferral and/or DC rate reduction, in accordance with this policy.
- b) Where an Application qualifies for a DC rate reduction, the rate shall be the DC rates:
 - (i) in effect on September 21, 2018 in accordance with By-Law 083-2018, or
 - (ii) in the case of a Low-Rise Residential Application that was deemed complete prior to September 21, 2018, the DC rates in effect on the date the Application was deemed complete.
- c) To obtain a DC rate reduction and/or DC deferral, prior to the issuance of the first Building Permit the developer shall:
 - (i) enter into a Section 27 Agreement with the City;
 - (ii) provide the City with a Letter of Credit or Other Security for the DCs being deferred; and
 - (iii) pay the appropriate fees pursuant to the City's Fees and Charges By-law.
- d) The DC rate reduction and DC deferral will only apply to the City's portion of DCs and is not applicable to ASDCs.
- e) Non-residential developments are not eligible under this policy.

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- f) This policy shall be in effect until the later of November 19, 2029 or the enactment of a new City-Wide DC By-law.
- g) The developer shall obtain Building Permit issuance for the Development Approval within 18 months of the Section 27 Agreement being fully executed after which time the Section 27 Agreement shall terminate and the DC rate deferral and/or DC deferral set out therein shall no longer be available or applicable.
- h) If prior to the expiry of the Section 27 Agreement a Development Approval has not achieved Building Permit issuance, a developer may request to receive the DC rate reduction set out herein by agreement to pre-pay the DCs on the remaining portion of units set out in the Section 27 Agreement. If Building Permits for units are not obtained within 24 months from the date of the Section 27 Agreement for pre-payment, then those units will be calculated at prevailing DC rates, and the outstanding DC portion will be collected at issuance of Building Permit.

2) DEVELOPMENT CHARGES RATE

- a) For greater certainty, the DC rates in effect on September 21, 2018 applicable to an Application that has qualified for a DC rate reduction, shall be:

BY-LAW 083-2018	RESIDENTIAL (\$/Unit)			
	Single/ Semi	Multiples	Large Apt (≥700 sq. ft.)	Small Apt (< 700 sq. ft.)
City-wide Engineering	\$32,104	\$26,481	\$19,579	\$14,112
City -wide General	\$18,089	\$14,920	\$11,031	\$7,952
Total	\$50,193	\$41,401	\$30,610	\$22,064

- b) In the event that a Development Approval requires multiple Building Permits, any Building Permit issued after the time period identified in Section 1(g) shall no longer be eligible for the DC rate reduction or DC deferral and the Section 27 Agreement shall terminate, unless a Section 27 Agreement for pre-payment has been entered into in accordance with this policy.
- c) The DC rate reduction may only be applied to any portion of DCs owed and which remain unpaid as of the date of this policy. The policy may not be applied retroactively to reduce previously paid DCs and no refund of DCs paid shall be made as a result of this policy.
- d) In the case of a plan of subdivision where the engineering portion of DCs has been paid at the execution of the subdivision agreement prior to this policy

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coming into effect, this policy may not be applied retroactively to the engineering portion of DCs and would only apply to the unpaid general services portion of DCs.

- e) A Section 27 Agreement will include the type of units and quantity of units that will be subject to the reduced rates.
- f) Any change to the type of units included within a Section 27 Agreement, will void the rate setting within the Section 27 Agreement, and the prevailing rates will be charged.
- g) The developer shall adhere to any administrative requirements set by the City to facilitate the execution and/or registration of a Section 27 Agreement and the developer acknowledges that entering into a Section 27 Agreement does not constitute approval of any other Application or issuance of a Building Permit.

3) DURATION OF DEFERRAL

- a) The DC deferral shall be available until the earlier of:
 - i) 24 months after the issuance of the first Building Permit; or
 - ii) the registration of a plan of condominium, if applicable.
- b) The DC deferral will only be applicable to units issued Building Permits within the 18-month time period from the execution of the Section 27 Agreement, determined under section 1 of this policy.
- c) The deferral period will begin the day the first Building Permit is issued by the City. Where multiple Building Permits are issued for a Development Approval, the deferral period begins on the day that each individual Building Permit is issued.

4) DEVELOPMENT CHARGES PAYABLE

- a) The amount of the DCs payable to the City, as required under the Act, will be based on the rates determined under Section 2 of this policy, multiplied by the number of dwelling units, as determined on the day that the developer enters into a Section 27 Agreement with the City and provides a Letter of Credit or Other Security in the case of a DC deferral.

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- b) Where a Letter of Credit is provided, payment of the outstanding DCs will be received via a draw upon the Letter of Credit on the expiry of the 24-month deferral period.

5) LETTER OF CREDIT AND OTHER SECURITY

- a) The developer shall provide a Letter of Credit or Other Security to secure the DC deferral. A Letter of Credit shall conform to the City's Letter of Credit Policy (policy 12.C.04), as amended from time to time. Any Other Security shall conform to the applicable Council policy, as may be approved from time to time.
- b) For Development Approvals with multiple permits (townhouse site plan applications or plans of subdivision) the full value of the DC payable for all units is to be secured with a Letter of Credit.
- c) If a Development Approval lapses or not all units within a Section 27 Agreement have been issued a Building Permit within the time period set out in Section 1 of this policy, then any remaining security or portion thereof shall be released back to the developer.

6) INTEREST WAIVER

- a) No interest will be charged for DCs payable under a Section 27 Agreement.

7) MIXED-USE BUILDINGS

- a) In the case of a Mixed-use Building, only the residential component of the City's DCs may be deferred.
- b) DCs for any non-residential uses within a Mixed-use Building will be charged the applicable prevailing non-residential use DC rate multiplied by the applicable non-residential Gross Floor Area.

8) FEES

- a) The developer shall pay any fees required to enter into the Section 27 Agreement, in accordance with the City's Fees and Charges By-law.

9) ROLES AND RESPONSIBILITIES

- a) Chief Financial Officer and City Treasurer
 - i) Signing of the Section 27 Agreements; and
 - ii) Maintains administrative authority and responsibility for this policy.

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- b) Director, Financial Planning & Development Finance and Deputy City Treasurer
 - i) Responsible for the implementation of, and adherence to, this policy.
- c) Legal Services
 - i) Drafts Section 27 Agreements, in accordance with Section 27 of the Act.
 - ii) Any other legal requirements with respect to or arising from the Section 27 Agreement or this Policy.
- d) Manager, Development Finance
 - i) Responsible for tracking of the rate setting expiration timeline;
 - ii) Responsible for the collection of all Development Charges when due;
 - iii) Processes the draw upon the Letter of Credit or Other Security at the point Development Charges are due, as may be applicable; and
 - iv) Responsible for maintaining compliance to this policy and drafting, reviewing and maintaining departmental operating procedures and processes under this policy.
- e) Development Planning staff
 - i) Responsible for deeming Applications complete;
 - ii) Responsible for verifying Development Approvals.

ADMINISTRATION

Administered by the Office of the City Clerk.

Review Schedule:	Other (specify) 2 years	Next Review Date:	September 30, 2026
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Related Policy(ies):	12.C.04 – Letter of Credit 12.C.17 - Development Charge Interest Policy Under Sections 26.1, 26.2 and 26.3 of the Development Charges Act, 1997
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Related By-Law(s):	109-2022 – City Wide Development Charges By-law
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Procedural Document:

Revision History

Date:	Description:
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Click or tap to enter a date.