VMC Sub-committee Report

DATE: Wednesday, December 04, 2019 **WARD(S):** ALL

TITLE: ALIGNING POLICIES AND PROGRAMS TO CONTINUE OFFICE DEVELOPMENT MOMENTUM IN VAUGHAN

FROM:
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ACTION: DECISION

Purpose

To seek Council approval to continue efforts to promote major office development in Vaughan by enacting development charge deferral policies for large office developments that will align the City with the deferrals being offered by the Region of York. Additionally, staff would like to initiate a Community Improvement Plan (CIP) Study with a focus on office development along the Regional Corridors as shown in Attachment 1, and also extend the existing CIP By-Law 176-2015 and 177-2015 in the VMC and Weston Road/Highway 7 Primary Centre by an additional two years.

Report Highlights

- Office development is a significant contributor to Vaughan's current and future competitiveness, its placemaking and city building initiatives, its financial sustainability and its residential and workforce development goals.
- Vaughan's introduced a Community Improvement Plan in the VMC and Weston/Highway 7 Primary Centre, in November 2015 to spur major office development, and it is due to expire in late 2020.
- To date, four CIP applications were received accounting for 67,300 m^2 (724,400 ft^2) of office space. Only three projects have been constructed; two in the VMC and one in the Weston/Highway 7 Primary Centre totaling 53,800 m^2.
- An economic and fiscal impact analysis of office, commercial and residential development in the VMC found that development and construction generated $5.1 billion in direct economic activity alone, with an additional $447.5 million annual expenditures for the 2015-2020 period.
- The marketplace has become more competitive. Greater Toronto Area municipalities, including Brampton, Richmond Hill, Markham, Toronto, and Mississauga have or will be implementing CIPs or development charges (DCs) deferrals or grants specifically for office development that will place them in direct competition with Vaughan.
- York Region has approved new financial incentives for its Centres and Corridors for office development, greater than 75,000 ft^2 (6,967.5 m^2) in size.
- For office developments in Vaughan to take advantage of the Region's Development Charge Deferral Programs, the City must initiate or revise existing Development Charge Deferral and/or CIP programs to provide similar or better incentives for office development.

Recommendations

1. That Council approve pilot office incentive policies and programs to encourage large office buildings through:

   a) The approval of a City-Wide Development Charge Deferral for Office Buildings Policy 12.C.05 (Attachment 2) consistent with the York Region's 18-month DC Deferral program approved on October 10, 2019, and with the provisions of the Bill 108, *More Home More Choice Act, 2019*;

   b) The approval of City-Wide Development Charges Deferral for Office Buildings a Minimum of 50,000 Square Feet and on the Highway 7 and Yonge Street Regional Corridor – Pilot Program Policy 12.C.06 (Attachment 3) which introduces a time-limited program that provides an interest-free, long-term development charge deferral for qualified office buildings, meeting a minimum threshold of 50,000 ft^2 and four storeys, along the Regional Corridors, to align with the Region of York's DC deferral policy in Regional Centres and Corridors;

2. That staff be directed to initiate a Community Improvement Plan study and stakeholder consultation process to explore further tools to promote office development in the Regional Corridors, which stretches along Highway 7, from Highway 50 to North Rivermede; along Centre Street; Bathurst Street from Centre Street to Highway 7 and the west side of Yonge Street, from Steeles Avenue to Highway 7; and report back to Council on the results of the consultations and propose recommendations;

3. That the CIP By-law 176-2015 and 177-2015 applicable to the VMC and Weston Road / Highway 7 Primary Centre in the City of Vaughan, be extended to the end of 2022 in line with the Region and City's DC deferral programs; and

4. That staff report back to Council, prior to the end of this Council term, on the results of the pilot incentive program.

Background

In November 17, 2015 Council approved the implementation of By-law 176-2015 designating the Vaughan Metropolitan Centre and Weston / Highway 7 Primary Centre as the Community Improvement Project Areas within the City of Vaughan. Further, Council adopted By-law 177-2015 setting forth the Community Improvement Plan for the aforementioned project areas. The goal of the CIP is to support the acceleration of office development in the two designated areas.

Conditions set within the existing CIP call for it to be reviewed upon its five-year expiry date or upon full usage of the 139,355 m^2 (1.5 million ft^2) of office space identified in the plan, whichever occurs first. As the expiry date approaches, it is timely to review and assess the CIP and its impact on the attraction of office development in Vaughan. Furthermore, the changing office market place, introduction of financial incentives by competing municipalities, and planning policy changes necessitate that Vaughan re-examines its position relative to financial and non-financial incentives as it affects the VMC and other intensification areas.

Previous Reports/Authority

Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development - Item 4, Report No. 2 of Priorities and Key Initiatives Committee, May 12, 2014

[Community Improvement Plan for the Vaughan Metropolitan Centre and Weston Road / Highway 7 Primary Centre - Item 11, Report No. 40 of Committee of the Whole, November 17, 2015]

[Community Improvement Project Areas By-law 176-2015]
[Community Improvement Plan By-law 177-2015]

[Development Charges By-law 083-2018]

[Council Extract Related to Item 11, Report No. 40, Committee of the Whole Report]
[Community Improvement Plan Update - VMC Sub-Committee, February 13, 2018]

[York Region Development Charges Deferral for Office Buildings, Committee of the Whole 2 Report, October 10, 2019]

Analysis and Options

Update on Office Development in the City of Vaughan

Vaughan is an emerging player in the GTA office market

According to Colliers Canada's Q2 2019 GTA Office Market Report, Vaughan has an inventory of 82 office buildings comprising of more than 483,000 m^2 (5.2 million ft^2) of office space, with the vast majority falling outside the VMC. Vacancy rates on office space city-wide hovers around 3.5 per cent, and Vaughan weighs in with highest average asking net rent of $19.81 per square feet in suburban office markets outside of Toronto (Table 1); higher even than the Yonge-Eglinton corridor which came in at $17.69 per square feet.

Table 1: Selected Office Market Statistics – Q2 2019

Market	# of Buildings	Total Inventory (SF)	Vacancy Rate	Availability Rate	Weighted Avg. Asking Net Rent ($PSF)	Weighted Avg. Asking Gross Rent ($PSF)
Financial Core	109	37,685,473	2.2%	4.2%	$36.22	$65.05
North Yonge Corridor	58	10,700,185	5.3%	8.5%	$21.09	$41.94
Yonge Eglinton	74	6,938,241	1.5%	1.8%	$17.69	$35.05
Vaughan	**82**	**5,225,868**	**3.5%**	**4.8%**	**$19.81**	**$31.00**
Hwy. 404 / 407	130	10,441,750	4.3%	6.8%	$16.44	$30.20
Airport Corporate	82	7,020,539	8.6%	11.8%	$16.08	$31.61

Source: Colliers Canada, GTA Office Market Report, Q2 2019

The VMC has been the focus of financial and non-financial incentives for new office development.

The VMC Secondary Plan established minimum targets of 1.5 million ft^2 of office space development and 750,000 ft^2 of retail space employing 11,500 people, of which 5,000 would be engaged in office activities. Additionally, the Secondary Plan calls for 12,000 residential units housing approximately 25,000 residents by 2031.

In support of significant public sector investments in transit and transportation infrastructure, and to facilitate the development of Vaughan's downtown, Vaughan implemented a CIP in late 2015 to spur office development. In addition to the 30+-year-old Royal Centre and 101 Exchange Avenue, two new office buildings have been completed in the VMC since 2015: KPMG Tower and PwC/YMCA Community Centre. The KPMG Tower which opened in 2016 set a new benchmark for office rents. In Q4 2019, PricewaterhouseCooper LLP (PwC) will open its doors at the PwC/YMCA tower bringing the total new office space to more than 36,800 m^2. Planning approvals are in place for an additional 13,500 m^2 of office space at the Liberty Development's 'Cosmos' site.

The City has met its 2031 residential and population targets within the VMC, with 19,641 residential units built, under construction or proposed (164% of residential targets) and 38,889 population (156% of targeted population). Factoring in the two new major office projects that will be going through a pre-application consultation process, and proposed retail space, retail and office developments currently stand at 53% and 66% of target, respectively.

Office projects outside the VMC are dispersed along major corridors and key nodes.

Outside the VMC, recent office developments have occurred at Weston Road and Highway 7 (Liberty Development's Centro Square); as well as three office proposals in the Vaughan Enterprise Zone. Site plan proposals have also been submitted for Bathurst/Centre Street (Promenade Mall redevelopment), and Keele and Steeles.

In total, there is a potential for more than 972,000 ft^2 of new office space in the development pipeline (see Table 2 below). However, most of these projects are still in various planning stages. The lack of immediately available Class A office space means that a prospective tenant looking for space to occupy in the next 12 to 18 months, could not be accommodated in the current building stock or projects in the planning pipeline.

Table 2: Proposed Major Office Projects

Developer / Applicant	Location	Size
Promenade Limited Partnership (OP.18.013)	Promenade Mall – 1 Promenade Circle	206,673 ft^2 (19,200 m^2)
Kartelle 130 Racco Parkway Inc. (DA.18.006)	130 Racco Parkway	57,061 ft^2 (5,301 m^2)
Steeles Keele Investments Ltd. (DA.08.051)	2330 Steeles Ave. W.	237,600 ft^2 (22,073 m^2)
LiUNA Local 183 (DA.18.025)*	8500 Huntington Rd.	290,635 ft^2 (27,000 m^2)
Zzen Group (DA.18.041)	6220 Highway 27	90,473 ft^2 (8,405 m^2)
Zzen Group (DA.18.083)	6230 Highway 27	90,473 ft^2 (8,405 m^2)

** purpose-built space to be occupied by LiUNA Local 183*

Regional and City planning policy reviews provide an opportunity for future office development in key corridors and primary centres.

As York Region works through its Municipal Comprehensive Review (York Region Official Plan Review), the City of Vaughan is also undertaking a review of its planning policies and master plans. In addition to the Official Plan Review, the City will be updating its VMC Secondary Plan and will be preparing secondary plans for Weston Road and Highway 7, Dufferin and Centre Street and the Promenade Mall. These exercises will allow Vaughan to consider its future growth to the year 2041; including office and major office uses. Increasingly as Vaughan becomes a highly urbanized City, creating a balanced and complete community grows in importance, to provide a mix of uses, including office and other commercial uses as a source of employment opportunities.

The Provincial Growth Plan 2019 (Growth Plan) requires upper-tier municipalities, in consultation with lower-tier municipalities, to delineate the boundaries of Major Transit Station Areas (MTSAs) on Priority Transit Corridors or subway lines. MTSAs are 'the area including and around any existing or planned higher order transit station or stop within a settlement area; or the area including or around a major bus depot in an urban core. MTSAs generally are defined as the area within an approximate 500 to 800-metre radius of a transit station, representing about a 10-minute walk."

The Growth Plan establishes minimum density targets for MTSAs as follows:

- 200 residents and jobs combined per hectare for MTSAs on a subway line

- 160 residents and jobs combined per hectare for MTSAs served by light rail and rapid transit
- 150 residents and jobs combined per hectare for MTSAs on the GO Transit line

The Growth Plan directs major office uses to Urban Growth Centres (VMC for Vaughan), MTSAs and other Strategic Growth Areas with existing or planned frequent transit service. York Region, in consultation with the City of Vaughan has currently identified more than 20 MTSAs in Vaughan; and has established draft minimum density targets which exceed the above Growth Plan minimums for a number of them. This represents a major opportunity for office development as we proceed through the Official Plan Review process as well as the previously mentioned secondary planning processes.

Economic and Fiscal Impacts – VMC Case Study

The City's investment in the existing CIP along with a well-articulated vision for the downtown, development process improvements, infrastructure investments and other non-financial incentives will play key roles in attracting the $17 billion of economic activity anticipated in the coming decades.

Large office buildings like those occupied by KPMG, Telecon (Centro Square) and PwC serve as corporate anchors, creating a critical mass of space and employment to leverage the transit investments made, spurring retail commercial development, and serving as a draw for support services and workforce development.

The City retained Altus Group to undertake a high-level economic analysis of Vaughan's CIP areas over two time periods. In the 2015-2020 timeframe, the analysis took into account completed or under construction development projects, and ongoing operations of the constructed projects, including property management, retail spending and employment. In the 2021-2041 timeframe, the analysis was completed based on projected incremental development and construction activity, spending and employment. Public and private sector investments in transit, roads and servicing, parks and open spaces were excluded from the analysis. Altus's estimates based on the VMC case study as presented below (Attachment 4) represent a magnitude of economic benefits to Vaughan and the Province of Ontario:

Vaughan Metropolitan Centre - Economic Impact

1. Total economic activity is estimated at $9.1 billion between 2015 and 2020, growing to $17.3 billion by 2041 from one-time construction and development activities. Total economic activity from on-going annual operations is estimated at $914 million between 2015 and 2020, growing to $3.5 billion by 2041.

2. Jobs from direct, indirect and induced activities from 2015-2020 is estimated at 45,491 person-years of employment while wages are estimated at $3.1 billion, during construction and development. Jobs from on-going annual operations for 2015-2020 is estimated at 18,494 person-years of employment, rising to 77,486 person-years by 2041.
3. Gross Domestic Product (GDP) contributions is estimated at $4.8 billion, forecasted to grow to $9.1 billion by 2041 from construction and development activities. On an on-going annual operating basis, GDP is estimated at $485.8 million, and $1.9 billion for the 2015-2020 and 2021-2041 period, respectively.
4. Business earnings total $1.7 billion and are forecasted to grow to $3.2 billion by 2041 from construction and development activities. On an on-going annual operating basis, business earnings total $101.8 million and $365.1 million, for the 2015-2020 and 2021-2041 period, respectively.

Vaughan Metropolitan Centre - Fiscal Impact

1. Annual property tax revenues, as a portion of government revenues are estimated at $240.2 million for 2015-2020 period, increasing to $302.5 million for the 2021-2041 period.
2. Development charges revenue are estimated at $512.9 million between 2015-2020, growing to $868.3 million by 2041.
3. Land transfer taxes are estimated at $65.3 million between 2015-2020, growing to $170.3 million by 2041.

Competition for Office Investment and the Use of Financial and Non-Financial Tools

Employing the Community Improvement Plan as a tool for accelerating major office buildings

Section 28(1) of the *Planning Act* defines a Community Improvement Plan as, 'a plan for community improvement of a community improvement project area' where the following definitions apply:

Community Improvement means:

> The planning or re-planning, design or redesign, re-subdivision, clearance, development or redevelopment, construction, reconstruction and rehabilitation, improvement of energy efficiency, or any of them, of a community improvement project area, and the provision of such residential, commercial, industrial, public, recreational, institutional, religious, charitable or other uses, building, structures,

works, improvements or facilities, or spaces therefore, as may be appropriate or necessary; and

Community Improvement Project Area means:

A municipality or an area within a municipality, the community improvement of which in the opinion of Council, is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason.

The Act provides that municipalities in Ontario with an in-effect official plan that has provisions relating to community improvement, the council may by by-law designate community improvement plan project areas and implement community improvement plans.

Competition for office development is ratcheting up in the Greater Toronto Area

At the time of Vaughan's implementation of its CIP, Toronto was the only municipality with incentives that targeted office development. The market place has since changed significantly. Mississauga (2017), Richmond Hill (2018) and Markham (2017) and Brampton (2019) have all implemented financial incentives for office development. The City of Toronto offers the most generous incentives, exempting all development charges for non-residential gross floor area above the ground floor and providing a 10-year Tax Increment Equivalent Grant (TIEG). Mississauga introduced a suite of financial incentives for its downtown, including a TIEG, municipally funded parking program, development processing fee rebates, and municipal property acquisition and disposition. Within York Region, Richmond Hill offered a TIEG and Markham discounted development charges to 25% of applicable rates for office buildings in excess of 100,000 ft^2.

The City of Brampton has had a history of CIPs for its Central Area dating back to 2000. The incentives offered included development charge deferrals, façade improvements, building improvements and sign permit fee subsidy programs. Most recently, the City of Brampton has revised its development charges by-law to waive development charges on office development of at least two storeys and greater than 50,000 ft^2 on a city-wide basis; and allowed change of use exemptions to allow industrial spaces to be repurposed to commercial uses. Brampton will be undertaking a city-wide CIP study with a targeted presentation date of Q4 2020.

Since Vaughan implemented its first CIP in November 2015, four CIP applications, that collectively total approximately 67,300 m^2 (724,400 ft^2) of new office space and representing 48 per cent of targeted office space goal, have been received. The four applications are estimated to generate $15.6 million in new property tax revenue over ten years. Estimated foregone revenues is $12.5 million from Cash-in-Lieu of Parkland, development charges and property taxes over ten years.

Bill 108, More Homes, More Choice Act, 2019 changes how development charges are levied on office development

Bill 108, *More Homes, More Choice Act*, *2019,* which received Royal Assent on June 6, 2019 changed both the administration of development charges, and the timing of payment for office development. The legislation allows developers to lock in development charge rates on the day upon which a site plan or zoning application is made. Furthermore, non-residential developments including offices, would not have to pay development charges until the earlier of occupancy permit or first occupancy of the development; and continue to pay, in equal installments for the subsequent five years. Under the regulatory framework proposed by the Ministry, virtually all types of office development would qualify for the delayed or phased payment regime. There are no minimum height requirements to qualify for the Bill 108 provisions.

Implementation of York Region's new Development Charges Deferral Pilot Programs will add another financial incentive tool for attracting office development in the Regional Centres and Corridors.

At the June 13, 2019 Committee of the Whole, York Region Council directed staff to consult with stakeholders on potential financial incentives to promote major office development in the Region's Centres and Corridors. On October 16, 2019 York Region Council ratified a report and memorandum (Attachments 5 and 6), recommending the following:

1. Development Charge Deferral aligned with the provisions of the *More Homes More Choice Act, 2019*; and

2. A new time-limited development charges deferral for office buildings greater than 75,000 ft^2 in gross floor area and having at minimum, four storeys located in its Regional Centres and Corridors or specific local centres such as Keswick, King and Whitchurch-Stouffville. The three-year pilot is an interest-free DC deferral that has a variable duration period based on building scale, as illustrated in Table 3.

Table 3: Duration of York Region's Development Charges Deferral

Gross Floor Area Threshold	Duration of Development Charges Deferral Available in Regional Centres and Corridors or Specific Local Centres
Between 75,000 ft^2 to 150,000 ft^2	5 year*
Between 150,000 ft^2 to 250,000 ft^2	10 year*
Greater than 250,000 ft^2 and less than or equal to 400,000 ft^2	15 year*
Greater than 400,000 ft^2	20 year*

** Note: Once threshold is crossed, entirety of gross floor area in office building is deferred for this timeframe*

The Region's policy will only be available to the first 1.5 million square feet of gross floor area on a 'first-come, first-served' basis. The Region will only enter into a Development Charges Deferral agreement if the local municipality provides a 'similar, if not better' deferral, exemption, or other incentives.

<u>Next Steps – A City of Vaughan Four-Prong Strategy for Continuing the Office Development Momentum</u>

Staff recommend a City-Wide Development Charge Deferral to align with York Region's recently updated Development Charges Deferral for Office Buildings

To align with York Region's Development Charge Deferral policy, the City of Vaughan may wish to introduce a city-wide development charge deferral program to incentivize office developments with Bill 108 provisions. For eligible projects, an 18-month interest-free deferral may be granted from the earlier of the date of the issuance of a permit under the Building Code Act, 1992 authorizing occupancy of the building, or the date the building is first occupied. Attachment 2 forms the City of Vaughan's City-Wide Development Charge Deferral for Office Buildings Policy 12.C.05.

Staff recommend a Development Charge Deferral for Large Office Buildings Pilot Program in the Highway 7 and Yonge Street Regional Corridors to align with York Region's new Development Charge Deferral for Office Buildings in the Regional Centres and Corridors Pilot Program

To align with York Region's Pilot Program for Office Buildings in the Regional Centres and Corridors, the City of Vaughan may wish to introduce a development charge deferral program in the Highway 7 and Yonge Street Regional Corridors. Whereas the Region's policy applies to developments greater than 75,000 ft^2, it is proposed that Vaughan's program has a minimum threshold of 50,000 ft^2 and four storeys above grade. The rationale for lowering the qualifying threshold is to recognize that development occurs at different scales in the Regional Corridor. Additionally, this threshold aligns with what is being used in neighbouring municipalities.

The duration of the recommended development charge deferral is longer than the city-wide Development Charges Deferral Program to encourage larger scale developments.

Table 4: Proposed Vaughan Development Charges Deferral for Office Buildings in the Regional Corridor

Gross Floor Area Threshold	**Duration of Development Charges Deferral Available in Regional Corridor**
Between 50,000 ft^2 to 150,000 ft^2	5 year*
Between 150,000 ft^2 to 250,000 ft^2	10 year*
Greater than 250,000 ft^2 and less than or equal to 400,000 ft^2	15 year*
Greater than 400,000 ft^2	20 year*

** Note: Once threshold is crossed, entirety of gross floor area in office building is deferred for this timeframe*

If approved, the Development Charge Deferral as proposed in Attachment 3 would be applicable to the end of this term of Council.

Staff recommend initiating a public consultation process as part of a Community Improvement Plan study along the Regional Corridor

The City's policies pertaining to CIPs are found in Policy 10.1.2.13, which has been approved by the former Ontario Municipal Board. A precedent for a CIP has been established, as set out in Item 4 of Report No. 2 of the Priorities and Key Initiatives Committee, May 14, 2014: *Community Improvement Plan: A Strategic Tool to Support and Accelerate Office Development*. In November 2015, Council approved a CIP for the VMC and the Weston Road/Highway 7 Primary Centre.

With the Region's approval of the new Development Charge Deferral Pilot Program, office incentives are available for an area that extends beyond the VMC or the Weston Road / Highway 7 Primary Centre boundaries. Thus, to bring the City in alignment with Regional programs, and to consider other financial and non-financial tools, staff is recommending undertaking a stakeholder consultation process to explore the establishment of a Community Improvement Plan along the Highway 7 and Yonge Street Regional Corridors. A consultation and engagement plan will be developed to solicit public and industry stakeholder feedback on the need for, and magnitude required, of any proposed office incentive programs. The outcomes of the consultation process will inform staff recommendations and the budget process moving forward.

Once the by-law designating the Community Improvement Project Area has been passed, Council may provide for the preparation of a plan 'suitable for adoption as a community improvement plan for the community improvement project area'.

In addition to any City initiated requirements for public consultation, the approval process for the CIP requires that it follow the same procedures as those for an Official Plan amendment (Section 17 of the Planning Act). This includes the requirement for a Public Open House and having the draft CIP available to the public 20 days in advance of the Public Meeting; the holding of a Public Meeting before Council on the draft plan to obtain further public input; revise the Plan accordingly and submit to Council for adoption; and give written notice of Council's adoption of the CIP. The appeal period lasts 20 days, after which the plan comes into effect if there are no appeals and, if there are appeals, they are forwarded to Local Planning Appeal Tribunal for adjudication.

Staff recommend that CIP By-law 176-2015 and 177-2015 be extended by two years

The current in-force CIP By-laws offers incentives that includes a tax increment equivalent grant; development charge deferral, and cash-in-lieu of parkland to the first 1.5 million square feet of office space in the VMC and/or Weston Road / Highway 7 Primary Centre. CIP By-law 176-2015 and 177-2015 are due to expire at the end of 2020. To bring them into alignment with the two proposed development charge deferral policies, it is recommended to extend the deadline by two years until the Term of Council ends. Staff will work with the development industry to promote and market the CIP program; as well as report on the outcomes of CIP By-law 176-2015 and 177-2015.

Advancing complementary non-financial tools and improvements to the development approvals process also supports and encourages office attraction and fulfills our mandate for service delivery excellence.

Financial incentives, such as development charges deferrals are but one tool for attracting office development. Other factors that play a role in creating a competitive environment for attracting tenants include an expedited development process, a predictable property tax regime and availability of shovel-ready sites.

The City has formed a Development Liaison Committee comprised of development industry and agency representatives to provide a forum for dialogue and collaboration in continuous improvement of the development process. Led by Transformation and

Strategy and the Planning and Growth Management Portfolio, the City is embarking on a pilot project as part of its Development Application Approval Process (DAAP) - an integrated and streamlined service delivery channel that spans early stage planning applications to late stage building permit issuance.

Staff will continue to monitor changes to Regional policies with respect to development charges, property taxes, business practice reforms, and other process improvements that drive positive change for office and employment attraction.

The recommended incentive programs align with Term of Council Service Excellence Strategic Plan and the Economic and Cultural Development department's 2019-2023 Strategic Business Plan.

Facilitating the development of major office buildings in the Regional Corridor, is aligned with the Term of Council Service Excellence Strategic Plan objectives including:

- City Building
- Active, Safe and Diverse Communities
- Economic Prosperity, Investment and Social Capital

Financial Impact

Development charge deferrals are financed as opposed to funded. For example, a 20-year development charge deferral for an office building of 400,000 sq. ft. would cost the City approximately $5.3 million over the life of the deferral but would also generate approximately $24.7 million in additional property tax revenues (present value) for the City, Region and Education Board during the 20-year deferral period. Table 5 below further provides an example of the quantified costs for the deferrals for different sized office buildings:

Size of Office Building	Length of Deferral	Present Value of Cost of Deferral ($M)*	Present Value of Property Tax Revenues Over First Five Years
50,000 - 100,000 sq. ft.	5 year	1.3	6.9
150,000 - 250,000 sq. ft.	10 year	1.1	2.7
250,000 - 400,000 sq. ft.	15 year	2.6	4.1
> 400,000 sq. ft.	20 year	5.5	6.3

*Assumes the Non-Residential development charge rate of $38.32 (November 8, 2019)

The estimated cost of the proposed deferral program is the foregone interest earned on reserves by deferring development charge collections

The existing and in-force CIP forecasts a maximum exposure of $17.6 million if full development of the 139,355 m^2 took place. It is currently estimated that the four CIP applications received to date will result in approximately $12.5 million less revenue from Cash-in-Lieu of Parkland, development charges and property taxes (over 10 years) as a result of the CIP. However, new revenue to the City generated by the development of this office space will result in an estimated $15.6 million over a 10-year period that would not have otherwise been realized.

Development charge incentives do not apply to the KPMG Tower and Centro Square as they were able to take advantage of transition measures under the 2013 Development Charge By-law implementation. The PwC/YMCA and Liberty Development 'Cosmos' projects will have development charge implications, resulting in $887,000 that will need to be repaid by the City from other funding sources. This impact is included as part of the $12.5 million figure stated above.

Staff will bring forward a report outlining the potential fiscal implications, as well as benefits to the community arising from a new CIP and/or development charge deferral program.

Broader Regional Impacts/Considerations

Senior City staff have been engaged in regular communications with the York Region team from stakeholder consultation stage and later, in the development of the two DC deferral programs. In developing complementary and aligned programs, industry stakeholders will have common understanding of applicable policies easing the implementation and administrative processes.

A copy of this report will be forwarded to York Region to inform the Municipal Comprehensive Review and Economic Development Action Plan updates. Staff will continue to engage with York Region on enhancing competitiveness in attracting and retaining business investments. Staff will undertake to advise the Vaughan Chamber of Commerce and other relevant agencies.

Conclusion

Major office development and the associated employment in knowledge-based sectors, generate highly desirable outcomes in fostering innovation and creativity in local business ecosystem; promoting skills development, higher learning and training amongst residents; and catalyzing placemaking to deliver a high quality of life and economic opportunities for residents and businesses.

Over the past five years, Vaughan has experienced an uptick on office development in the VMC, the Vaughan Enterprise Zone, other primary centres and transit corridors. It is important to the City's competitiveness and financial sustainability to keep up the momentum in office development, particularly as goods-producing sectors give way to services and other knowledge-based work.

The competitive tide has risen in the GTA with office projects being increasingly drawn to Toronto's core. There is an imperative need to stay at the forefront of economic development with financial and non-financial incentives; to support the higher order infrastructure investments that are being made in Centres and Corridors; and to continue to invest in education and skills development for the resident labour force.

Staff recommends a four-pronged strategy to arm the City with tools for attracting office development. The two proposed DC Deferral Programs address a more immediate requirement to align with the Region's programs without an impact to the tax levy. Extension of the current CIP By-law can also be readily implemented, whereas a CIP for the Regional Corridor requires a public consultation process and thus, a longer timeframe to complete.

Vaughan will continue to modernize and optimize its operational processes and service delivery models across the corporation to complement existing financial and non-financial incentives aimed at attracting office investment and employment; and to achieve Term of Council Service Excellence goals, including City Building; Active, Safe and Diverse Communities; Economic Prosperity, Investment and Social Capital; Good Governance and Operational Performance.

For more information, please contact: Dennis Cutajar, Director of Economic and Cultural Development, ext. 8274; Bill Kiru, Director of Policy Planning and Environmental Sustainability, ext. 8633 and Michael Marchetti, Director of Financial Planning and Development Finance/Deputy Treasurer, ext. 8271.

Attachments

1. Map of Regional Centres and Corridors, York Region
2. City-Wide Development Charge Deferral for Office Buildings Policy 12.C.05
3. City-Wide Development Charges Deferral for Office Buildings a Minimum of 50,000 Square Feet in the Highway 7 and Yonge Street Regional Corridors – Pilot Program Policy 12.C.06
4. Economic Impact Statement, Altus Group, November 1, 2019

5. Large Office Building Development Charge Deferral Pilot Program, York Region, Committee of the Whole, October 10, 2019
6. York Region Memorandum: Financial Incentives for Affordable Rental Housing and Large Office Buildings, dated October 16, 2019

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