

Committee of the Whole (2) Report

DATE: Tuesday, June 16, 2020

WARD(S): 1

**TITLE: DEVELOPMENT CHARGE DEFERRAL – REQUEST FOR
SPECIAL CONSIDERATION RELATING TO SITE PLAN
DA.19.072 (CONMAR DEVELOPMENTS INC. & FENLANDS
VAUGHAN INC.)**

FROM:

Mary Reali, Deputy City Manager, Community Services
Michael Coroneos, Deputy City Manager, Corporate Services and Chief Financial Officer

ACTION: DECISION

Purpose

To request special consideration for a development charge (DC) deferral outside of the current DC deferral policies as it relates to Site Plan DA.19.072 for the development of a 70,308 m² distribution centre.

Report Highlights

- Developer proposing to construct a large scale highly automated distribution centre of approximately 70,000 square metres, creating approximately 2,000 jobs.
- Development Charges (DCs) for the entire project are approximately \$21 million, consisting of \$8.1 million for the City's portion.
- Applicant is requesting a DC deferral from the City and York Region to spread out the payment of the DC, which normally are collected at building permit issuance as per the current DC By-law.
- Current City DC deferral policies are only applicable for office developments and community use space.

Recommendations

1. That the application from Conmar Developments Inc. & Fenlands Vaughan Inc. for deferral of Development Charges (DC) be dealt with as an exception to the City-Wide Development Charges Deferral Policy, and the DC Deferral Policies for Office development;
2. That the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer (CFO) be delegated the authority to execute a DC Deferral Agreement with Conmar Developments Inc. and Fenlands Vaughan Inc. to defer City of Vaughan Development Charges in a form satisfactory to the Deputy City Manager, Administrative Services and City Solicitor; and
3. That a copy of this report and Council decision be forwarded to the Regional Municipality of York for consideration.

Background

A request for deferral of DCs was received from the Owner, who is proposing to construct a one storey 70,308 m² industrial building in multiple phases. The lands are municipally known as 11110 Jane Street, extend from Highway 400 to Jane Street, located north of Teston Road and form part of Draft Plan of Subdivision file 19T-19V002 and Site Development file DA.19.072. The applicant has indicated that the building will be approximately 28 metres tall consisting of warehousing activities.

Under the City's DC By-law, our standard collection process requires that 100 per cent of the DCs are paid at the prevailing rate at the time of permit issuance. The foundation permit is the normal trigger for the collection and payment process. This process can be waived if under Section 27 of the DC Act, 1997, the applicant enters into an agreement with the City to pay the DCs at an earlier or later date than the permit issuance date. The DC By-law also has an industrial expansion credit provision that allows industrial developments to receive a DC credit on the expansion or addition up to 50 per cent of the original gross floor area.

Originally, the changes to the Development Charges Act approved through the passage (on June 6, 2019) of Bill 108, the More Homes, More Choice Act, 2019, mandated that DCs for industrial developments (in addition to commercial and other development types) as of January 1, 2020 be payable through six installment over a five-year period beginning at occupancy. The passage of Bill 138 (on December 10, 2019), the Plan to Build Ontario Together Act, repealed that change, such that only rental housing and institutional developments remain in the category that mandates the payment of DCs in 6 installments.

The City currently has DC deferral policies in place that pertain to city wide office development, office development along the Hwy 7 Regional corridor and city-wide deferrals for community use space provided by not for profit organizations. This request would fall outside of these deferrals and is being requested due to the size of 70,308 m², \$500 million in economic benefits, number of new jobs and technology involved or that would result from this development.

Previous Reports/Authority

[CONMAR DEVELOPMENTS INC. & FENLANDS VAUGHAN INC. ZONING BY-LAW AMENDMENT FILE Z.19.007 DRAFT PLAN OF SUBDIVISION FILE 19T-19V002 SITE DEVELOPMENT FILE DA.19.072 11110 JANE STREET](#)

Analysis and Options

Strong global brand commitment over long term

Conmar's tenant, Walmart is a global player in the retail marketplace. Walmart has been in Canada since 1994 with 20 distribution centres and more than 400 stores nationwide. Their automated distribution centre in Vaughan will serve a network of stores in the Ontario market as well as support an e-commerce platform.

Walmart will be committing to a 30-year lease with Conmar, with an option for an additional 20 years, ensuring that the investment made has a lasting economic impact.

Capital investment of \$500 million in land, buildings, automation and employee training is significant

Conmar proposes to build the project in two phases. In Phase 1, the base building is approximately 51,469 square metres (554,000 SF) and Phase 2 would add another 18,839 square metres (202,000 SF) of space. Beyond this footprint, the building is proposed to be 28 m in height, approximately 3x the volume of the typical distribution centre. Anticipated building delivery is August 31, 2022 with a further two years for automation fit-outs. Conmar estimates that Phase 2 will occur within five to seven years from project commencement.

Walmart has partnered with Vanderlande, a global market leader in process automation solutions based out of the Netherlands. Vanderlande offers value-added and scalable logistics process automation for warehouse distribution centres that include intelligent software and lifecycle services.

Combined investment in land, building construction, automation systems and employee training is estimated to be in excess of \$500 million. Additional accrued benefits to

Vaughan may include indirect and induced spending from ongoing operations and related uses.

Job creation for Vaughan is expected to exceed all other comparable operations

Vaughan currently has many large-scale developments that have been built in the last few years, specifically Sobeys, FedEx, Home Depot and Costco, that are similar in gross floor area to the current proposed development that is seeking the deferral. The main difference between this new development and existing industrial warehouse developments is the height of the structure at 28 m, hi-tech nature of the development and the creation of skilled labour. This proposed development is anticipated to create 2,000 new jobs compared to 300 to 500 new jobs created by existing large-scale industrial warehousing developments.

In addition to the jobs in the operation of the distribution centre, Conmar estimates that there will be 500 construction jobs over the course of the project.

Request for DC deferral would be subject to a defined term with applicable interest charges and annualized payments.

Previous industrial warehouse developments have paid their respective development charges in accordance with the DC by-laws of the City, Region and Boards of Education at the prevailing rates on the date of permit issuance.

The total amount of development charges payable on the proposed development is approximately \$21.4 million for all 3 jurisdictions. The City's portion would be \$8.1 million, \$12.7 million for the Region and \$630,000 for the School Boards, based on current rates.

Staff are seeking Council's approval to negotiate and enter into a City DC deferral agreement to allow for an annualized payment process with a term between 3 to 5 years and an interest component similar to existing City DC deferral policies. Proceeding with a DC deferral for this type of development may set a precedent for future industrial warehouse developments of similar size and scope to seek the same treatment, potentially impacting future DC cashflows.

Financial Impact

City Wide DCs, at the current rate, would equal approximately \$8.1 million as illustrated in the chart below. This incorporates the 50 per cent industrial expansion credit as allowed in the current City DC By-law.

Original	GFA (sq m)	DC Rate	Total City DC
Ph1	51,469	156.53	8,056,442.57
Ph2	18,839	156.53	-
Total			8,056,442.57

Phasing of the City DCs, would extend the payments over several years and have the potential to generate \$400 to \$900 thousand in interest payments to the City, depending on the length of term and the applicable interest rate.

Broader Regional Impacts/Considerations

The developer has requested that the Region of York also look at a deferral of DCs. The Region is waiting to see how the City proceeds with this request, as this has a more significant impact on precedent within the Region and the cashflow impact to their DC collections. Education DCs would continue to be paid at the current rate at the time of building permit issuance as the Education Act does not allow for a deferral or phasing of DCs.

Conclusion

The applicant has received Council approval to proceed with the planning and development of a large-scale industrial warehouse, that will bring a significant amount of jobs into the City and Region along with \$500 million in economic development. Due to the significant amount of DCs on this project, the applicant is requesting that the City provide a DC deferral or phasing of DCs. Staff are seeking Council's approval to negotiate and enter into a City DC deferral agreement to allow for an annualized payment process with a term between 3 to 5 years and an interest component similar to existing City DC deferral policies.

For more information, please contact Nelson Pereira, Manager Development Finance at extension 8393.

Attachments

N/A

Prepared by

Nelson Pereira, Manager, Development Finance, ext. 8939