

## Committee of the Whole (2) Report

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**DATE:** Monday, March 09, 2020

**WARD(S):** ALL

**TITLE: CITY-WIDE DEVELOPMENT CHARGES DEFERRAL POLICY**

**FROM:**

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

**ACTION:** DECISION

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### **Purpose**

The City-Wide Development Charges Deferral Policy lays out the qualifying criteria under which the City may defer development charges in order to encourage not for profit developments that support the community through the provision of services that would have otherwise been provided by the City or the Region of York.

### **Report Highlights**

- The City-Wide Development Charges Deferral Policy will govern the deferral of development charges for non-profit organizations that are providing City or Regional services.
- This policy is intended to replace existing policy FS-007 “City-Wide Development Charges Deferral Policy”
- The new deferral policy has been revised to include a cap to the duration of the deferral and maximum allowable deferral amount

### **Recommendations**

1. That Council approve the City-Wide Development Charges Deferral Policy including giving Staff the authority to enter into development charges deferral agreements; and

2. That Corporate Policy FS-007 “City-Wide Development Charges Deferral Policy” be repealed and replaced with Corporate Policy 12.C.07 “City-Wide Development Charges Deferral Policy”.

## **Background**

A City-wide Development Charges Deferral Policy was originally established in 2005 in response to a large number of deferral requests that were being received from non-profit private/parochial schools and non-profit developments that were offering services or uses to the general public that would have otherwise been required to be offered by the City or the Region of York. The rationale for the development charges deferral at that time was that as per section 3 of the *Development Charges Act*, 1997, any land owned or used for the purpose of a municipality or board is exempt from development charges by reason only that it is exempt from taxation under section 3 of the assessment act. The policy was developed in such a way as to allow the deferral of development charges for developments that are providing City or Regional services which would not have paid development charges if they had been provided by the City or Region on those lands.

Prior to the enactment of the City-Wide DC deferral policy, twenty-one (21) deferral agreements were entered into on an ad hoc basis for a total of \$1.4 million in deferred development charges. Since the enactment of the policy, nineteen (19) Development Charges Deferral agreements have been established with a total of \$4.2 million in development charges deferred. The existing policy allows development charges to be deferred until a trigger event occurs such as a change of use. Since 2005, the City has only collected deferred development charges due to a change of use from two (2) properties which had deferred their development charges prior to the enactment of the policy. The remaining deferrals continue to be administered with annual reviews to ensure that a change of use has not occurred, and that the owner continues to follow the other terms within their deferral agreement.

All deferrals previously approved will continue to be administered based on the previous policy and all new deferral requests will be governed by the new policy outlined within this report.

## **Previous Reports/Authority**

[http://meetingarchives.vaughan.ca/council\\_2005/pdf/Rpt.45ws0621m.pdf](http://meetingarchives.vaughan.ca/council_2005/pdf/Rpt.45ws0621m.pdf)

## **Analysis and Options**

Collection of development charges that have been deferred under the existing policy

have been limited and cumbersome due to the infrequency that the eligible developments change their use. This has led to long term deferrals that staff are required to administer on an annual basis.

Over the last year, staff have seen an influx in requests for deferrals under the existing policy and have determined that the existing policy can be improved to streamline administration, ensure risk to the City is minimized and to more clearly define the scope of qualifying developments. After performing a jurisdictional scan of other development charges deferral policies being offered in the GTA and after reviewing the existing policy and current administration practices in place, staff recommend that the policy be revised in the following key areas:

- Time limit the DC deferrals to a one-time maximum of five (5) years
- Cap the maximum DCs that can be deferred to \$2 million per site
- Include interest for the period of the deferral
- Remove specific reference to private/parochial schools

The recommended changes to the existing policy bring the City into closer alignment with the development charges deferrals currently being offered by other municipalities.

### ***Development charges deferrals to be time-limited and capped***

The new development charges deferral policy provides that the duration of the deferrals be capped at a one-time maximum of five (5) years. This brings the policy into closer alignment with *Bill 108, More Homes More Choice Act, 2019* which indicates a five (5) year deferral on rental housing, long-term care, retirement homes, hospices, universities and colleges and facilities of the Royal Canadian Legion. Additionally, Bill 108 allows for a twenty (20) year deferral on non-profit housing developments. The proposed policy may allow other non-profit developments that do not fit the list of qualifying developments above to proceed with a deferral.

The proposed time limit will ensure that all deferrals end at a specified time regardless of the use. This will make the administration of such deferrals easier to manage and it would prevent the City from entering into deferrals that have no definite end date which will bring more certainty to the development charges collections.

Staff are also proposing that deferrals be capped at a maximum of \$2 million and only be applied to the gross floor area of the facility that is providing the City or Regional service. This is to mitigate the impacts on the development charge reserve cash flows

to ensure that the City has the funds needed to emplace services within the timelines identified in the Development Charges Background Study.

### ***Interest will be charged against the deferral***

The revised policy requires that the City calculate interest, compounded annually, to be charged against the deferral amount at the Bank of Canada Prime rate plus 2%, which aligns to the interest rate applied to development charge deferrals by the Region of York. Interest is paid at such time as the development charges are paid due to a trigger event such as a change of use or when the end of the deferral term is reached.

### ***Removal of specific reference to Private/Parochial Schools***

Although non-profit private/parochial schools will still be eligible for a development charges deferral under the revised policy, the specific mention of these types of facilities has been removed to broaden the scope to include other non-profit facilities that may be providing City or Regional uses to the general public, such as long-term care facilities or affordable housing.

Additionally, the policy has been revised to allow staff the opportunity to review the services or uses being proposed by the applicant to determine if the services are of similar quality and scope as those offered by the City or Region to the satisfaction of the City. This will ensure that development charges deferrals are only being provided for services that are being used by the general public and are similar to the City's or Region's existing facilities.

### **Financial Impact**

A development charge deferral is financed as opposed to funded. By deferring development charges collections, the City is unable to earn interest on those collections. In order to mitigate this, staff are proposing that interest be calculated on the deferral amount. Additionally, the City is able to generate property tax revenues that would have potentially not been realized without the incentive of a development charges deferral for these types of developments.

In order to mitigate the impact to the development charges cash flow, the Deputy City Manager, Corporate Services & Chief Financial Officer reserves the right to decline a request for a development charges deferral if the development charge reserve balances are in a deficit position or at least 20% below forecasted levels.

## **Broader Regional Impacts/Considerations**

On October 17, 2019 the Region of York enacted new policies in support of high-density purpose-built rentals and affordable purpose built rental. The Region indicated at the time that they would only enter into development charges deferrals of this nature if the local municipalities were also offering a deferral, exemption or other similar incentives, if not better.

Although the deferral policy that is the subject of this report is not specific to high density purpose built rental housing or affordable purpose built rental, it may apply if the owner is a non-profit organization.

## **Conclusion**

The City continues to support the deferral of development charges for developments that provide services or uses to the general public that would otherwise be required to be provided by the City or the Region. The updated City-Wide Development Charges Deferral Policy continues to support this mandate with revisions to broaden the scope of qualifying non-profit organizations along with revisions to improve administrative processes.

**For more information**, please contact: Nelson Pereira, Manager, Development Finance

## **Attachment**

1. 12.C.07 - City-Wide Development Charges Deferral Policy

## **Prepared by**

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