

C6
COMMUNICATION
COUNCIL – September 27, 2021
CW (1)- Report No. 39, Item 1

From: Clerks@vaughan.ca
To: [Adelina Bellisario](mailto:Adelina.Bellisario)
Subject: FW: Black Creek ASDC (2nd Public Hearing Report)
Date: September-14-21 10:32:46 AM
Attachments: [Letter - Black Creek ASDC - COW Meeting Sept 14 2021.pdf](#)

From: Daryl Keleher <daryl.keleher@altusgroup.com>
Sent: Tuesday, September 14, 2021 8:57 AM
To: Clerks@vaughan.ca
Cc: Joseph Sgro <JSgro@zengroup.com>; Sam Speranza <SSperanza@zengroup.com>
Subject: [External] Black Creek ASDC (2nd Public Hearing Report)

Hi,

Please find attached letter for submission to today's Committee meeting, on behalf of my client (with lands at **2986 Highway 7, among other properties**) as noted in the letter.

Regards,

Daryl Keleher, MCIP, RPP
(He/Him)
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Altus Group is a leading provider of commercial real estate advisory services, software and data solutions.

September 13, 2021

Mayor Maurizio Bevilacqua & Members of Council
Committee of Whole

City of Vaughan
2141 Major Mackenzie Drive
Vaughan, ON L6A 1T1

Re: Black Creek ASDC – Question and Comments

Our File: P-6694

Altus Group Economic Consulting was mutually retained by 243127 Ontario Ltd. (7725 Jane), and Midvale Estates Limited (2938 Highway 7), 2117868 Ontario Inc. (2966-2986 Highway 7), 785343 Ontario Ltd (7601 Jane) to review the City's proposed ASDC by-law and background study for Black Creek Channelization Works.

Further to meetings with City staff in July and August with myself and each of my respective clients, we provide the following comments, questions and information requests on the City's ASDC, for consideration at the Committee of the Whole meeting dated September 14, 2021.

Information Request – Lands Included vs Excluded from ASDC Calculation

The land areas against which the ASDC will be applied are the “development areas” in each of the three defined benefitting areas (Map 1, Map 2, Map 3), with the denominator of the ASDC calculation being based (for Maps 2 and Map 3) on “developable hectares”.

As per our discussion in a meeting in early September, we have questions regarding the lands included in the net developable hectares in Map 3 of 144 hectares and understanding what the criteria were in making judgements about which parcels within the Map 3 area were developable. The entire Map 3 area includes approximately 1300 hectares of land, of which approximately 144 hectares are assumed to be net developable lands. **We would like to reiterate our request for a map showing the location and boundaries of all parcels within Map 3 comprising the 144 hectares included in the ASDC denominator.**

The issue with such a relatively small fraction of land within the Map 3 boundary being included in the calculation of the ASDC is that if additional lands not within the 144 hectares come forward, the City could raise more revenue than needed to fund the works, or if the lands not within the 144 hectares come forward, but should have been included in the ASDC denominator, the ASDC rates would have been lower. It is also crucial to understand what lands are included in the denominator, and why they were included to provide others in Map 3 some transparency about what lands may remain in the denominator in future ASDC by-law reviews.

Issues with Narrowly Defined Area-Specific Approach to DCs and Significant Future Rate Escalation

The City's current approach to recovering growth-related costs for stormwater works and associated urban design and public amenities is based on dividing the capital costs in the numerator by the net developable lands in the denominator. Currently, Map 2 has a denominator of 20 hectares, down from 33 hectares in the 2016 ASDC Study.

A concern with this approach is the finite amount of land in the denominator, which if combined with continuing escalating capital costs, could cause a compounding effect leading to significant future ASDC increases, and leaving the last parcel or handful of parcels to develop with all remaining unfunded costs.

In the example below, it is assumed, for illustrative purposes that costs in the numerator increase by 75%, and that the amount of land in the denominator decreases by 75%. This combined effect would have the effect of increasing the 'unadjusted' charge (the ASDC before accounting for interest costs) by 600%.

Figure 1 Illustrative Example of Compounding Effect of Increased Capital Costs and Reduction in Finite Denominator

	2021 ASDC Study	Assumptions re: Change	Next ASDC Study	% Change
	<i>Dollars</i>			
Growth-Related Cost	9,774,000	75% Cost Growth	17,104,500	75%
	<i>Hectares</i>			
Area (net ha)	18.98	75% Developed	4.75	-75%
	<i>\$/Ha.</i>			
Unadjusted Charge	514,963		3,604,742	600%

Source: Altus Group Economic Consulting based on City of Vaughan, 2021 ASDC Study

Most municipalities recover stormwater management capital costs through municipal-wide DCs, which smooths out future rate increases by spreading capital costs over a larger, more stable development base that is not shrinking like in the City's ASDC calculation but rolling forward over time as the City continues to grow.

City Admin Fee – Need for a Percentage Rate (as % of Land Value) vs. Flat Rate

The cost of land acquisition included in the ASDC rate calculation amounts to roughly \$70.4 million, which includes a 3% "City Admin Fee". The 2016 ASDC Study also included a 3% fee, but it was against a total of \$6 million in total land acquisition costs. It is estimated that the City Admin Fee for land acquisition costs amounts to \$173,000 in the 2016 ASDC Study but increased to \$2.34 million in the 2021 ASDC Study. It is not apparent that the need for City administrative costs will change at all based on the increased land values.

Is the increase in City Admin fee amount included in the ASDC calculation proportionate to the increase in effort and time that the City Admin Fee is meant to reflect?

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If the land being acquiring in both the 2016 ASDC Study and 2021 ASDC Study is the same quantum of land and/or number of purchase agreements, it is likely that the amount of staff time and costs are more fixed in nature and it would not be reasonable to proportionately increase with the increase in land value.

Other Issues

Other outstanding issues based on our continued review and ongoing discussion with City staff, includes (but may not be limited to) the following:

- Exclusion of public lands from ASDC calculation not consistent with provisions in Development Charges Act where cost of DC exemptions cannot be made up by higher DC rates on those who are not exempt;
- Significant capital cost increases from the 2016 ASDC Study
- The appropriateness of Benefit to Existing (BTE) allocations made in the 2021 DC Study and whether the proportionate benefit of all benefitting lands, including those public lands, as well as other recently developed parcels, have been accounted for.

Sincerely,



Daryl Keleher, MCIP, RPP
Senior Director, Research, Valuation & Advisory, Economic Consulting
Altus Expert Services, Altus Group

cc: Brianne Clace

cc: City Clerk's Office