

Development Charges and New Community Benefits Charges: Council Information Session



CITY OF VAUGHAN

Wednesday, November 3rd, 2021

Agenda

- Background and Overview of “Growth-Related” Capital Framework
- Development Charges Study
- Community Benefit Charges
- Timeline and Next Steps

Background

- The City has retained Hemson to complete:

1. Development Charges
(DC) Background Study +
Draft By-law
(Hemson)

2. Community Benefits
Charge (CBC) Strategy +
Draft By-law
(Hemson)

By-laws to be passed
2nd Quarter of 2022.

Alternative Parkland
Dedication Rate:
(Hemson only in the Capacity
to review costs to ensure
consistency with DC and CBC)

What Does the Future Look Like?



Certain “soft” services removed from DC framework (municipal parking, cemeteries and airports)



Library, park development, indoor recreation, long-term care, public health, child care, recycling, organics, and paramedic services remain and now 100% cost eligible under the *Development Charges Act* (DCA)



Previous *Planning Act* Section 37 (density bonusing) is replaced with new Community Benefits Charges (CBC) regime



CBCs can only be applied on high-density developments

New Framework for “Growth-Related” Capital



Development Charges Act (DCs)

- Used to fund initial round of capital infrastructure
- Prescribed list of eligible services
- Certain “soft” services removed from list (e.g. parking, cemeteries, airports)
- No eligible services subject to 10% discount



Planning Act: Community Benefits Charges (CBCs)

- Initial round of capital, can overlap with DCs
- In-kind contributions permitted
- Capped at 4% of land value
- Imposed only on development with 5 or more storeys & 10 or more housing units
- Only local municipalities can charge



Planning Act: Parkland & CIL

- Parkland acquisition and CIL
- Standard rate of 5% for residential and 2% for non-residential
- Alternative, higher rate may apply based on units/ha *with Parks Plan*
- Cash In Lieu of land permitted

All tools are appealable to Ontario Land Tribunal (OLT) (with conditions)

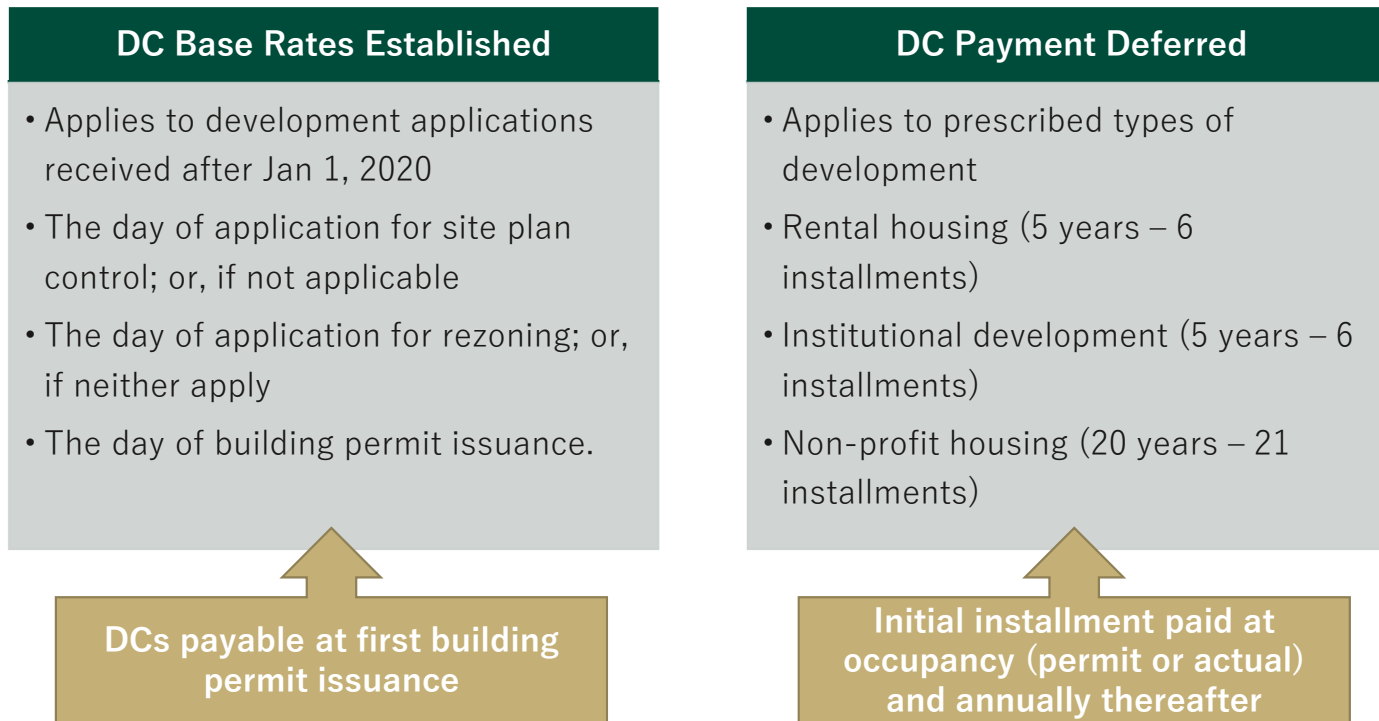
Development Charges

- Fees imposed on development to finance development-related capital costs.
- As a municipality grows, new infrastructure and facilities are required to maintain service levels (e.g. roads, water, etc.)
- The principle is “growth pays for growth” so that the financial burden of servicing development is not borne by existing tax/rate payers.



Source: The Toronto Star

Changes as of January 1, 2020: When are DCs Determined and Paid?



Note: DCA allows municipalities to charge interest on DC freeze and deferrals. The City has enacted a policy to charge interest.

DC Study Update to Align with CBC Study and Region of York Study

- The Region of York is currently in the process of updating their DC Background Study and By-law.
- City and Region have initiated discussions to ensure process aligns where practical to do so.
- City DC By-law policy considerations to align with Region
- City exploring modifications to the rate structure to consider smaller residential housing types

Planning Act: Community Benefits Charges (CBCs)

- Height/density “bonusing” under s.37 of Planning Act now gone
- Replaced by CBC for growth-related capital—can overlap with DCs
- In-kind contributions permitted (credits given)



Source: Urban Toronto

CBCs – Legislative Basics

- Imposed by by-law (no term limit)
- Only local municipalities can charge
- Can only be levied against higher density development
 - 5 or more storeys and
 - 10 or more residential units
- Requires a “strategy”
- Legislation does not prescribe CBC rate structure
- Timing of payment should be stated in by-law
- In-kind works can be provided but then valued and credit against charge provided

CBC payable in any particular case cannot exceed **4%** of land value as of the day before a building permit is issued

CBC Statutory Exemptions

- Development with fewer than 10 residential units and 5 storeys
- Long-term care & retirement homes
- Colleges, universities and post-secondary indigenous institutes
- Royal Canadian Legion
- Hospice for end of life care
- Non-profit housing

What Can CBCs Fund?

- **Can recover any “growth related” capital cost**
 - Eligible DC services (no overlap with DCs)
 - Parkland acquisition (no overlap with s.42)
 - Other services
 - Service level increases
- **Requires nexus test to be met**
 - Community benefits
 - Benefit to apartment residents

▪ Potential services

- Affordable Housing
- Cycling infrastructure
- Public realm improvements
- Traffic calming measures
- Community gardens
- Park improvements
- Libraries and Community Centres
- Other benefits to apartment residents

Potential CBC Rate Structures



Percentage of Land Value



Per Unit



Per Gross Floor Area (Square Foot)



Per Hectare/Acre of Land

- Could differentiate charge by area, built form, etc.
- Regardless, CBC cannot exceed 4% of land value *for each specific development*
- Complex rules where there is disagreement

Transition Period Provided: September 2022

- Two-year transition period to conform to all the changes – DCs, Parkland (if using alternative rate) and CBCs
 - Note: Ontario municipal elections are October 24, 2022
 - Many municipalities, including the City of Vaughan, are aiming to pass new by-laws in Q2 2022
- Benefit to undertaking all studies concurrently
- Timeline provides for ample industry and Council consultations which will begin early 2022.