

COMMITTEE OF THE WHOLE (WORKING SESSION) - NOVEMBER 12, 2002

DEVELOPMENT CHARGES BY-LAW UPDATE

Recommendation

The Commissioner of Finance & Corporate Services in consultation with the Senior Management Team and the Director of Reserves and Investments recommend:

That the presentation by Hemson Consulting Ltd. be received;

That the following report based on material from the Development Charges Background Study be received for information purposes;

That Council provide feedback so that the comments can be taken into consideration; and;

That Council authorize staff to meet with representatives of the development industry to review the Background Study and obtain input.

Purpose

To update the Members of Council concerning the update of the City's Development Charges By-Law and provide Members of Council an opportunity for input prior to the meeting with the development industry and the Public Meeting.

Background - Analysis and Options

The City of Vaughan Development Charges Background Study has been prepared to form the basis of the statutory public meeting in order to enact a new Development Charges By-Law as per the Development Charges Act, 1997. The Background Study has been undertaken by Hemson Consulting Ltd. and coordinated by Finance with the direct involvement of the senior staff in those departments that provided growth information, service standards, capital forecasts and costing information. The Background Study focuses on growth over the next ten (10) years and growth to ultimate build out where permitted under the legislation. The growth related services and the cost for the majority of services is restricted to a 10-year period, however some services such as transportation, water and sewer are permitted to be cost shared over ultimate development.

Development Charges are imposed to recover growth related capital costs from new development, which causes an increased demand for services. Development charges apply to residential and non-residential growth. The objective is to maintain service levels and have growth pay for growth.

In August 1999 Council approved the City of Vaughan Development Charges Background Study. The maximum term of the current DC By-law is 5 years and expires August 2004. The updating of the 1999 Background Study included reviewing all growth related projects, identifying new projects, a review of inflation or other cost adjustments to those works included in the original Development Charges Background Study, consideration of additional lands that have been designated for development and a review of population, employment and non-residential growth forecasts.

Background Study Detail

The Background Study is a growth related capital plan for the City of Vaughan for the next 10 years. It identifies projects, their costs and the anticipated timing of construction over the next 10 years.

The Background Study represents the results of the review, which determined the growth related net capital costs which are attributable to development. The Study includes a forecast of residential and non-residential development anticipated by the City. The average service level provided in the City over the 10 year period preceding the preparation of the background study. Based on this information, the 10-year capital plan for the City is prepared to provide the services for the anticipated development in the City. The requirement of the Background Study provides Council, staff and the development industry with a better understanding of the capital infrastructure required to service growth.

Growth Related Capital Forecast

The growth related capital forecast prepared for the background study ensures that development charges are only imposed to pay for projects that have been built or are intended to be built to service future anticipated development. This capital forecast will demonstrate a commitment by Council to continue to emplace facilities or infrastructure in the future.

A review of the growth related capital forecast revealed two main issues.

Allowable Capital Budget

The growth related capital budget for the Library Board, Public Works and Parks Development over the 2002-2011 period is greater than the maximum allowable under the provisions of the DCA. The bases of the development charges are the lesser of the capital budget and the calculated maximum allowable service level. Any capital expenditure in excess of the maximum allowable under the DCA would be financed from sources other than development charges. This issue requires further analysis and discussion.

Cash Flow Analysis

A review of the cash flow indicates a front loading of anticipated expenditures in the first five (5) years for the following services: general government; parks development; and public works. The City would experience temporary borrowing costs to support the planned capital expenditures. This is contrary to Council policy that the required funds be on hand prior to the approval of the project. It also implies the capital projects will be put in place in advance of the population being serviced. This will result in operating costs being incurred before the assessment base is there to support the costs.

Additional reviews with Senior Management must take place to ensure the growth related capital budget is within the DCA provisions and the timing of these projects are such that funds are available prior to the planned expenditure.

Development Charge Rates

The Development Charges Background Study is consistent with the provisions of the Development Charges Act 1997 and its related regulations (Ontario Regulation 02/98).

The calculation of the City of Vaughan's development charges has two components, a City Wide component and area specific charges.

The City Wide average cost approach is used to calculate development charges for general government, indoor recreation, parks development and facilities, fire, library, public works yards and fleet and roads. This approach results in uniform charges throughout the City. It reflects the fact that service standards apply equally across the City and that the residents and businesses in Vaughan have access to services regardless of location.

The second component are area specific development charges called Special Area Development Charges calculated for waste, wastewater and storm drainage services. The area specific approach aligns costs and benefits for services where benefits are more localized and can be identified.

The proposed City Wide residential and non-residential charges represents an increase from the current charges, reflecting more comprehensive services planning, the City's recent experience in terms of project costs and higher historic average service levels than reflected in the present by-law.

Development Charges Policies

The City has development charges policies to assist in the administration of the development charges by-law. The Development Charges Act requires that these policies be clearly documented and incorporated into the DC By-law. The intent is to continue with the current policies where possible. The following is an overview of the major policy areas.

1. Exemptions

The following exemptions are provided for in the draft By-Law.

- a) local boards;
- b) the City of any local board thereof and, without limiting the generality of the foregoing including land leased from the Crown in right of Canada or Ontario located within the Parkway Belt Planning Area as defined in Regulation 744, paragraph 16 of the Revised Regulation of Ontario, 1990, provided the same is used for institutional use purposes of a not-for-profit nature;
- c) the Regional Municipality of York or any local board thereof; and
- d) any area municipality within the Regional Municipality of York.

With the incorporation of the Hydro Vaughan Distribution Inc. under the Ontario Business Corporations Act, consideration of removing HVDI from the list of exemptions must be considered.

2. Lot Levies Paid Prior to Development Charges

Prior to the introduction of development charges, developers paid lot levies. During the 1999 Development Charges deliberations, Council approved a policy, which provided a pre-development charge credit for residential and non-residential development. Upon application for a building on a vacant lot or block, the owner is entitled to a credit for a lot levy actually paid equivalent to the value of the services contained in the proposed City of Vaughan Development Charges By-Law 2002. If the application for a building permit on a lot or block which is not vacant, then the permit will be subject to the Development Charge rate in effect at the time of building permit issuance without credit.

A copy of the August 1999 policy is attached. No changes are recommended.

Conclusion

The material presented is intended to provide Members of Council with a sense of the direction that staff are recommending in a number of areas prior to discussion with the development industry. Input from Members of Council is appreciated.

Attachments

Lot Levy Credit Policy

Report prepared by:

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Respectfully submitted,

Clayton D. Harris, CA
Commissioner of Finance & Corporate Services

CITY OF VAUGHAN

POLICY FOR THE CALCULATION OF PRE-DEVELOPMENT CHARGE CREDITS FOR RESIDENTIAL AND NON-RESIDENTIAL DEVELOPMENT

The following policy applies to the calculation of credits under Section 14(1) and 14(2) of the old Act (Development Charges Act R.S.O. 1990).

1. This policy shall be in effect until December 31, 2003. After that date, no credits shall be applicable, regardless of the provisions in any agreements.
2. (a) Upon application for a building permit on a vacant lot or block, the owner shall be entitled to credit for a lot levy actually paid equivalent to the value of the services contained in the City of Vaughan Development Charges By-law, 1999.

(b) Upon application for a building permit on a vacant lot or block, the owner shall be entitled to credit for the reasonable cost of services actually provided with the permission of the City in lieu of a lot levy.

(c) Application for a building permit on a lot or block which is NOT VACANT will be subject to the Development Charge rate in effect at the time of building permit issuance without credit.
3. The credit referred to in paragraph 2 above can not be applied against Special Area Development Charges or Vaughan Hydro Development Charges.
4. There are no Vaughan Hydro pre-development charge credits.
5. If a building permit is repealed or revoked in whole or in part pursuant to the Ontario Building Code Act, development charges actually paid shall be refunded pro-rata, without interest, forthwith upon the expiration of any relevant limitation period or appeal.
6. This policy shall not only apply to owners or former owners who notified the municipality pursuant to Section 17(5) as required by the Regulations made under the Development Charges Act, 1997 but is also extended to those owners who did not notify the municipality pursuant to Section 17(5) as required by the Regulations made under the Development Charges Act, 1997. This extension shall not be given for services-in-lieu and shall not be an extension of any statutory rights.
7. This policy is in effect upon its adoptance by Council of the City of Vaughan.