

2003 DEVELOPMENT CHARGES

Recommendation

The Commissioner of Finance & Corporate Services in consultation with the Director of Reserves & Investments recommends:

That the presentation by Hemson Consulting Ltd. be received;

That the following report relating to the 2003 Development Charges Background Study as required under the Development Charges Act 1997 be received for information purposes;

That Council provide input with respect to the update of the City's Development Charges By-law; and

That the date of June 23, 2003 at 5:00 p.m. be confirmed for a Public Meeting as required under the Development Charges Act.

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 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 legislation. The growth related services and the cost recovery for the majority of services is restricted to a ten (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 development, which causes an increased demand for services. The objective is to maintain service levels and have growth pay for growth to the extent permitted under legislation.

Council approved the current City of Vaughan Development Charges Background Study in August 1999. The maximum term of the current Development Charges By-law is five (5) years and expires August 2004. The updating of the 1999 Background Study is not just limited to identifying growth related projects but also includes 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, a review of population, employment and non-residential growth forecasts and revisiting cost sharing with other levels of government including the Region and the Provincial Government.

Background Study Detail

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

The study includes a forecast of residential and non-residential development anticipated by the City and the average service level provided in the City over the ten (10) years preceding the preparation of the background study. Based on this information, the 10-year capital plan is prepared to provide the services for the anticipated development. The Study provides Council, staff and the development industry with a better understanding of the capital infrastructure required to service growth. The base year for the Background Study is 2002. Section 11 of the Development Charges Act 1997 states:

“a development charge by-law may only be passed within the one (1) year period following the completion of the development charge background study.”

Growth Related Capital Forecasts

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 forecast revealed a cash flow concern. The review of the cash flow indicates front loading of anticipated expenditures for the following services: general government, library services, parks development, and public works. The City would experience temporary borrowing costs to support the planned capital expenditures. This contrary to Council policy that the required funds be on hand prior to the approval of the capital works and would result in the emplacement of facilities prior to the assessment base and property tax revenue being in place to fund the operating costs associated with the various projects.

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 an area specific charges component. 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, fleet and roads. This approach results in uniform charges throughout the City. Area specific charges are calculated for water, wastewater and storm drainage services. The area specific approach aligns costs and benefits for services where benefits are localized and can be identified with a specific benefiting area. In the proposed 2003 Development Charge Background Study, there are an additional nine (9) new special area development charges for water and wastewater works.

The proposed City Wide residential and non-residential charges represents an increase from the current charges, reflecting more comprehensive services, the City's experience in project costs and higher historic average services than reflected in the current 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 2003. 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

3 Deferral of Development Charges

Council has deferred the City portion of development charges for private schools and certain non-profit associations. A deferral for a private school is conditional on the school being non-profit and registered with the Ministry of Education. The other deferral is where a non-profit association is providing a service that the City would otherwise provide and the facility is on City owned or controlled lands. The deferral is registered a title to protect the municipality. The appropriate development charges would become due if the building use changes. Staff do not recommend any additional deferrals.

Development Industry Dialogue

Copies of the draft Development Charge Background Study have been circulated to the developer working committee comprised of representation from the Urban Development Institute-York Chapter (UDI) and the Greater Toronto Home Builders' Association (GTHBA).

Meetings have been scheduled to review the Study with this working committee prior to the Public meeting. Staff will work closely with the development industry to address questions and resolve any issues prior to the Public meeting of June 23, 2003.

Conclusion

Staff will work with the development industry in an attempt to address questions and resolve issues prior to the Public meeting. 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. Input from Members of Council is appreciated.

Attachments

1. Lot Levy Credit Policy

Report prepared by:

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Respectfully submitted

Clayton D. Harris, CA
Commissioner of Finance and 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.