

Corporate Services
Regional Clerk's Office

September 21, 2018

Ms. Kimberley Kitteringham
City Clerk
City of Markham
101 Town Centre Boulevard
Markham, ON L3R 9W3

Dear Ms. Kitteringham:

Re: 2018 Development Charge Bylaw Amendment: Timelines, Communications and Procedures

Regional Council, at its meeting held on September 20, 2018, adopted the following recommendation of Committee of the Whole regarding "2018 Development Charge Bylaw Amendment: Timelines, Communications and Procedures":

1. The Regional Clerk circulate this report to the local municipalities.

A copy of Clause 23 of Committee of the Whole Report No. 12 is enclosed for your information.

Please contact Edward Hankins, Director, Treasury Office at 1-877-464-9675 ext. 71644 if you have any questions with respect to this matter.

Sincerely,

A handwritten signature in black ink, appearing to be "Christopher Raynor", written over a faint circular stamp.

Christopher Raynor
Regional Clerk

C.Martin
Attachments

Clause 23 in Report No. 12 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on September 20, 2018.

23

2018 Development Charge Bylaw Amendment: Timelines, Communications and Procedures

Committee of the Whole recommends adoption of the following recommendation contained in the report dated August 17, 2018 from the Commissioner of Finance:

1. The Regional Clerk circulate this report to the local municipalities.
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Report dated August 17, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. The Regional Clerk circulate this report to the local municipalities.

2. Purpose

This report provides Council with an update on the timelines and communication efforts associated with the 2018 Development Charge Bylaw Amendment that came into effect on July 1, 2018. It also provides information on when development charges are paid. Finally, this report provides an analysis of development charge collection levels and how they have fluctuated with changes in development charge rates.

2018 Development Charge Bylaw Amendment: Timelines, Communications and Procedures

3. Background

On May 25, 2017, Council directed staff to bring back an amendment to the 2017 Development Charge Bylaw during the first quarter of 2018

When Council approved the 2017 Development Charge Bylaw, it also directed staff to bring back an amendment by March 31, 2018 that would add all 56 road projects in “Part B” of Contingency Schedule G of the 2017 Development Charge Bylaw into the rate calculation.

As a result, on February 15, 2018, staff tabled a draft 2018 Development Charge Background Study and Bylaw Amendment.

The development community was aware of the magnitude of the rate increase associated with the 56 road projects through the 2017 Development Charge Background Study

A preliminary estimate of the rate implications of adding the 56 roads projects to the roads development charge rate was made public as part of the Revised 2017 Development Charge Background Study, released to Council on March 23, 2017. It was communicated again as part of the final 2017 Development Charge Background Study and Bylaw, released on May 18, 2017 (page 46 of 47 of the 2017 Development Charge Bylaw No. 2017-35 shows the estimated increases across all rate classes, both residential and non-residential).

Engagement with the Building Industry and Land Development Association – York Chapter (BILD) working group on the 2018 amendment began in June 2017

Finance staff met with the members of the BILD working group in June of 2017 to discuss potential timelines for the amendment and the preliminary estimate of rate increases. The BILD working group consists of representatives of low-rise developments, high-rise and Industrial/Commercial/Institutional (ICI) development. The BILD working group did not voice any concerns with the timelines or the rate increases being proposed. Engagement continued with the BILD working group in December 2017/January 2018 as part of the process put in place to pass the 2018 Amendment. Again the timelines and preliminary impact on rates were discussed.

During the 2018 Development Charge Bylaw Amendment process, Finance staff also engaged with stakeholders who were not represented by the BILD working

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group, including the appellants to the 2017 Development Charge Bylaw and representatives of office development. Topics discussed included:

- Scope of the amendment and preliminary impact on rates
- Treatment of structured parking in the amended bylaw
- Deferral policy for 'open air' motor vehicle storage structures
- Existing office development charge deferral program

Several other initiatives were undertaken by staff to ensure that the timelines, magnitude and effective rate were communicated to the development community

In addition to consulting with BILD working group, appellants to the 2017 Development Charge Bylaw, and representatives of office development, an interdepartmental initiative was undertaken to ensure that the broader development community was made aware of the 2018 Development Charge Bylaw Amendment. These communication initiatives were augmented by the Region's local municipal partners. Table 1 highlights some of those initiatives.

Table 1
2018 Development Charge Bylaw Amendment: Interdepartmental Communication Initiatives

Department	Initiative
Office of the Chief Administrative Officer	Letter to BILD dated March 2, 2018, included relevant dates in the Bylaw process as well as a hand-out setting out the requirements and timelines that developers needed to meet to qualify for the prevailing 2017 development charge rates
Corporate Services - Community Planning	Starting on March 12, 2018, a postcard was made available to all local municipalities informing stakeholders as to the in-effect date of the amending bylaw and the associated rate increases for both residential and non-residential development (for an example of this postcard, please see Attachment 1)
Corporate Services - Corporate Communications and Finance - Treasury Office	All relevant information pertaining to the development charge increase has been available on the Region's website since February 2018 Issued a media release on May 17, 2018, discussing the passing of the amendment, rate increases and effective date
Corporate Services - Regional Clerk	On May 24, 2018, public notice of the passage of the bylaw amendment was made by publication in 12 newspapers across each of the 9 local municipalities

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Department	Initiative
	On May 28, 2018, notice of the passage of the bylaw amendment was made by mail to BILD, local municipalities, school boards and 'interested' stakeholders. A total of 22 packages were mailed out that included the notice of passage and the amending bylaw (<u>No. 2018-42</u>) 'Interested' stakeholders include: • Appellants to the Region's 2017 Development Charge Bylaw • Stakeholders who deputed or communicated on the 2018 Development Charge Bylaw Amendment • Stakeholders who had previously engaged with the Region during previous development charge bylaw reviews

The 2018 Development Charge Bylaw Amendment exceeded all statutorily prescribed minimum timelines

Under the *Development Charges Act, 1997* ("Act"), any municipality wishing to review a development charge bylaw (e.g., update or amend) must meet certain prescribed timelines. These timelines ensure that all stakeholders have adequate notice and can voice any concerns/input they may have in regards to a proposed development charge bylaw. As Table 2 indicates, the 2018 Amendment not only met, but exceeded all statutorily mandated minimum timing requirements.

Table 2
Key statutory timelines of 2018 Development Charge Bylaw Amendment

Requirement	First day	Required number of days between events	Last day	Actual number of days between events
Background study and bylaw is available to the public prior to public meeting	February 15	14	March 22 (day of public meeting)	35
20 days' notice of public meeting	February 22	20	March 22 (day of public meeting)	22
Background study available to the public prior to passing the Bylaw	February 15	60	May 17 (day of passage of Bylaw)	91

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The 2018 Development Charge Bylaw Amendment was not appealed

On May 17, 2018, Regional Council passed the 2018 Development Charge Bylaw Amendment with an 'in-effect' date of July 1, 2018. The 'in-effect' date was the subject of consultation with BILD and the local municipalities and was chosen to coincide with the Region's annual indexing date, thereby improving administrative efficiencies.

Upon passage of the 2018 Development Charge Bylaw Amendment, a 40 day appeals period began. Notice of the appeal period was published in all local Metroland newspapers on May 24, 2018. The appeal period ran until June 26, 2018, at 4:30 pm.

For the first time in at least twenty years the Region did not receive any appeals of its development charge bylaw.

As directed by the *Act*, development charges are payable at building permit unless otherwise stipulated by the Development Charges Bylaw

Section 26 of the *Act* requires development charges to be paid upon building permit issuance unless a municipality's development charge bylaw states otherwise. If a proposed residential development is a plan of subdivision, a municipality may, through its development charge bylaw, provide that development charges are payable upon entering into a subdivision agreement.

Section 3.17 – 3.23 of the Region's 2017 Development Charge Bylaw (No. 2017-35) deals with the timing of payment of development charges. Specifically, the Bylaw provides that all development charges (hard services and soft services) are payable at the time of building permit issuance unless that development is a plan of subdivision and no further site plan approvals are required by the local municipality. Hard services include water, wastewater and roads development charges. Soft services include transit, Toronto-York Subway Extension, police, waste diversion, public works, paramedic services, public health, social services, and court services.

Under the Region's 2017 Development Charge Bylaw, as amended, hard services make up approximately 90 per cent of the development charge rate. Table 3 below provides an example of this for a single family detached dwelling.

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Table 3
Components of a development charge for a single-family detached dwelling*

Component of development charge	Charge (\$)	Per cent of total charge (%)
Hard services	52,818	89.4
Soft services	6,291	10.6
Total	59,109	100

*Note: For developments in the Nobleton Community there is a separate rate for the wastewater component

For residential plans of subdivision, the hard services component of the development charge is collected by the Region and development charges for all other development applications are collected by the local municipality

If a development is a residential plan of subdivision, under section 51 of the *Planning Act*, development charges for hard services (e.g., water, wastewater and roads) are due immediately upon the owner entering into a Regional development charge agreement at the time of subdivision registration. The hard services component of the development charge is collected by the Region. Payments for all other soft services occur at building permit issuance and are collected by the local municipality where the development is taking place.

If the development does not meet the criteria for a residential plan of subdivision, both the hard and soft services component are due at building permit issuance and are collected by the local municipality where the development is taking place.

Some developments did not qualify to pay their development charges prior to the July 1, 2018 rate increase

On July 1, 2018, the new rates underpinned by the 2018 Development Charge Bylaw Amendment came into effect. The Region is aware of some developments that were not able to meet the required criteria, as set out in the Region's Development Charge Bylaw (No. 2017-35), to pay their development charges prior to the July 1, 2018 deadline.

Regional staff consulted with local municipal staff and it appears that there may have been challenges interpreting timing of payment provisions in the Region's 2017 Development Charge Bylaw. It should be emphasized that these interpretative challenges did not prevent any development from paying

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development charges so long as they met the criteria under the Region's Bylaw to do so.

4. Analysis and Implications

There is typically an increase in development charge collections prior to a new development charge bylaw taking effect

Development charge collections are typically higher in the second and fourth quarters of the calendar year, although more so in a bylaw year. Part of the reason for this is that York Region's development charge bylaws (including updates and amendments) typically take effect in the second quarter.

Between 2012 and 2017 period, on average, 62 per cent of development charge collections occurred in second and fourth quarters. In 2012, there was a significant increase in development charge collections in the fourth quarter due to the prepayment provisions allowed under the 2012 Development Charge Bylaw. For 2017, approximately half of the collections for the year occurred prior to the June 17, 2017 effective date for the Development Charge Bylaw.

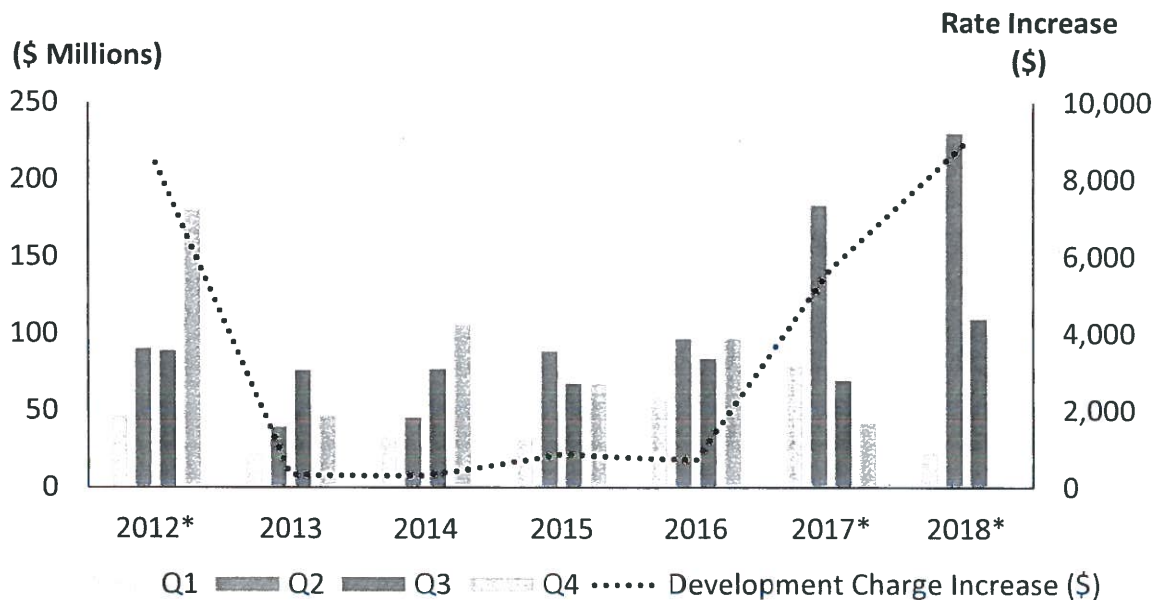
During the previous three development charge bylaw reviews, the single family detached rate increased by between 13 and 27 per cent

When the Region updated its development charge bylaw in 2012, the rate for a single-family detached dwelling increased by 27 per cent. Similarly, in 2017 and 2018, the rate increased by 13 per cent and 19 per cent respectively. Since the development charge rate increase is typically higher than that of inflation, developers have an incentive to advance projects (when they can) and pay at the rates in effect prior to an increase. Figure 1 summarizes these collections along with the annual development charge rate increase for single family dwellings.

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Figure 1

Historic residential development charge collections versus annual single family dwelling development charge rate increase (by quarter)



*Development Charge Bylaw Update (2012 and 2017) or Amendment (2018)

Note: Based on the date York Region received development charge payment.

2018 Q3 collections only include June 2018 development charge collections remitted to the Region in July.

Under the 2017 Development Charge Bylaw, non-residential rates fell or remained approximately the same while under the 2018 amendment they increased between 18 and 28 per cent

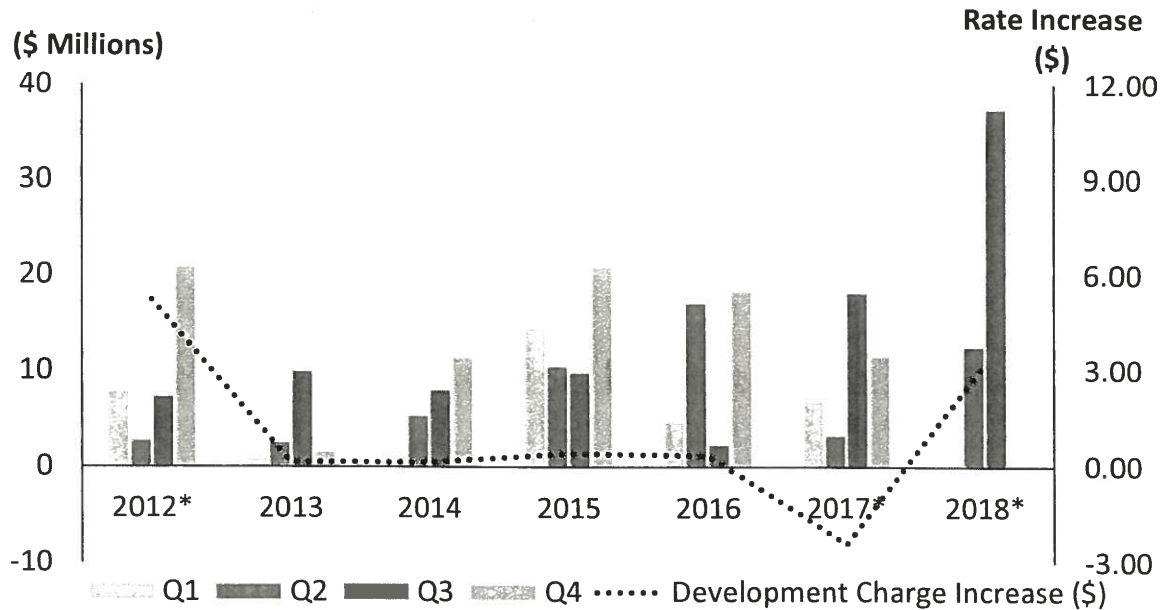
Between 2012 and 2016, on average, 38 per cent of non-residential development charge collections occurred in the first half of the year, while in 2017, only 27 per cent of non-residential development charge collections occurred in the first two quarters of the year. This is partially attributed to the fact that under the 2017 Development Charge Bylaw, non-residential rates either declined or increased slightly¹. This may have incentivized non-residential developers to delay projects in order to pay development charges after the 2017 Development Charges Bylaw came into effect.

Under the 2018 Development Charges Bylaw Amendment, the Industrial/Office/Institutional development charge rate increased by 18 per cent. As expected, there was a significant increase in development charge collections during the second quarter of 2018 when compared to non-bylaw years and 2017 (see Figure 2).

¹ Note: Retail rate increased by 0.35 per cent, Industrial/Office/Institutional rate decreased by 12 per cent and Hotel rates decreased by 80 per cent.

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Figure 2
Historic Industrial/Office/Institutional development charge collections
versus annual Industrial/Office/Institutional development charge rate
increases (by quarter)



*Development Charge Bylaw Update (2012 and 2017) or Amendment (2018)

Note: Based on the date York Region received development charge payment.

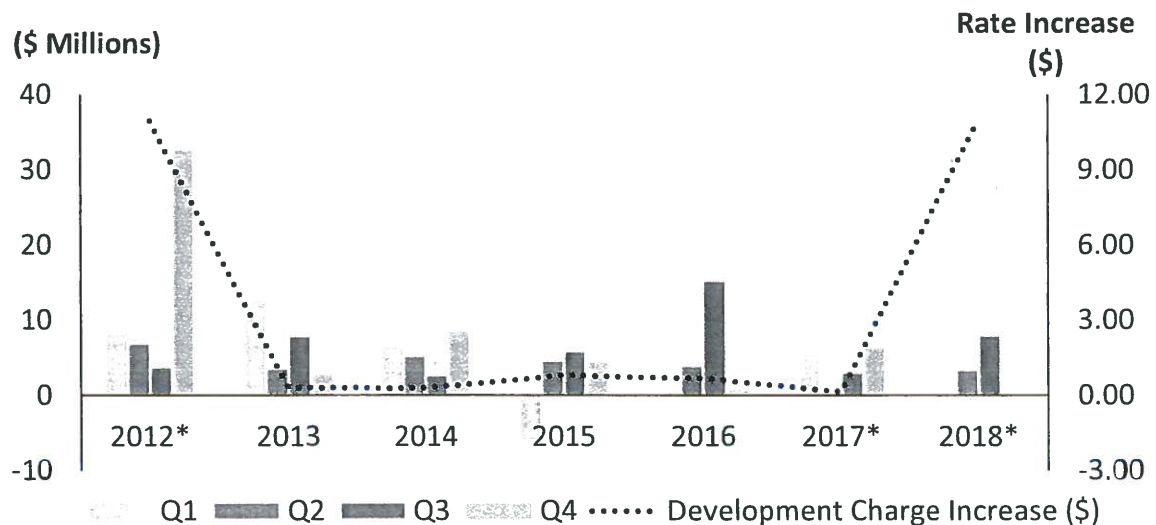
2018 Q3 collections only include June 2018 development charge collections remitted to the Region in July.

Similarly, under the 2018 Development Charges Bylaw Amendment, the Retail development charge rate increased by 28 percent. This however did not lead to a similar increase in development charge collections (see Figure 3)².

² Non-residential development proceeds by the way of site plan and development charges are due at building permit issuance and are collected by the local municipalities. These development charges are typically remitted to the Region by the end of the month following their collection by the local municipality.

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Figure 3
Historic retail development charge collections versus annual retail development charge rate increases (by quarter)



*Development Charge Bylaw Update (2012 and 2017) or Amendment (2018)

Note: Based on the date York Region received development charge payment.

2018 Q3 collections only include June 2018 development charge collections remitted to the Region in July.

In the first half of 2018, nearly 6,500 new residential units and almost 84,500 square metres of new gross floor area paid development charges

Markham, Richmond Hill and Vaughan collectively processed almost 6,000 new residential units in the first two quarters of 2018, which is the majority of the total new residential units in the Region. Of the units processed, most were associated with low-rise development.

Similarly, the majority of the non-residential development (by square metre) that paid development charges to the Region in the first two quarters of 2018 was in Markham, Richmond Hill and Vaughan. Tables 4 and 5 provide further detail.

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Table 4
Total number of new residential units that paid development charges in the first and second quarters of 2018

<i>Municipality</i>	<i>Low Rise Subdivision</i>	<i>Low Rise Site Plan</i>	<i>Total Low Rise</i>	<i>High Rise</i>	<i>Total</i>	<i>Low rise share of York Region Total (%)</i>
Markham	637	309	946	755	1,701	26
Richmond Hill	2,044	34	2,078	0	2,078	32
Vaughan	284	1328	1,612	510	2,122	33
Whitchurch – Stouffville	0	3	3	0	3	0
Aurora	324	3	327	4	331	5
King	0	6	6	0	6	0
Newmarket	0	140	140	0	140	2
East Gwillimbury	66	5	71	0	71	1
Georgina	0	7	7	0	7	0
Total*	3,355	1,835	5,190	1,269	6,459	100

*Note: Numbers may not sum due to rounding

**Note: Based on the date the York Region received the development charges

Table 5
Total new non-residential gross floor area that paid development charges in the first and second quarters of 2018

<i>Municipality</i>	<i>Retail (square metre)</i>	<i>IOI* (square metre)</i>	<i>Hotel (square metre)</i>	<i>Total (square metre)</i>	<i>Percentage of York Region Total (%)</i>
Markham	3,373	10,822	0	14,195	17
Richmond Hill	450	0	0	450	1
Vaughan	1,380	56,529	0	57,909	69
Whitchurch – Stouffville	3,892	1,266	0	5,158	6
Aurora	609	0	4,792	5,401	6
King	0	0	0	0	0
Newmarket	1,355	0	0	1,355	2
East Gwillimbury	20	0	0	20	0
Georgina	0	0	0	0	0
Total**	11,079	68,617	4,792	84,468	100

*Note: IOI = Industrial/Office/Institutional

**Note: Numbers may not sum due to rounding

**Note: Based on the date the York Region received the development charges

2018 Development Charge Bylaw Amendment: Timelines, Communications and Procedures

5. Financial Considerations

Development charges help fund vital infrastructure required to accommodate growth

The Region's 2017 Development Charge Bylaw, as amended, is expected to result in the collection of approximately \$5 billion in development charges over 15 years. This will help fund over \$8 billion in infrastructure investments. Additional funding would come from existing development charge reserves, post-2031 development charge collections and non-development charge funding sources.

It is anticipated that the Region will update its development charge bylaw after the Municipal Comprehensive Review (MCR) is finalized. The new background bylaw will address growth to 2041. This update will likely occur before the statutory maximum period for the 2017 Development Charge Bylaw expires in 2022.

6. Local Municipal Impact

The development charge process is a partnership between the Region and the local municipalities

From providing input into the policy formation during a development charge bylaw review, to the administration of the Region's development charge bylaw, and collection of the Regional component of the development charges; the local municipalities are partners with the Region in the development charge process.

In advance of the July 1, 2018 deadline for the increased rates, there were some challenges in interpreting the timing of payment provisions of the Region's bylaw. Staff from the Region will continue to work with the local municipalities, providing clarification, when necessary, so as to ensure that the Region's Bylaw is administered consistently across the Region. The consistent administration of the bylaw, by the local municipalities, will help ensure that the Region collects the development charges necessary to continue to build the infrastructure needed to accommodate growth in all nine local municipalities.

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7. Conclusion

On May 17, 2018, Regional Council passed the 2018 Development Charge Bylaw Amendment, which will help to fund 56 priority growth-related road projects across the Region. The passing of the amending bylaw marked over a years' worth of work, consultation and communication by staff at all levels in the Region and the local municipalities. In addition, a concerted effort by staff at all levels made it possible to process the increased development charge collections in the first half of 2018. Finally, all of these combined efforts resulted in the Region's Bylaw not being appealed for the first time in at least twenty years.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644. The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Laura Mirabella
Commissioner of Finance

Bruce Macgregor
Chief Administrative Officer

August 17, 2018

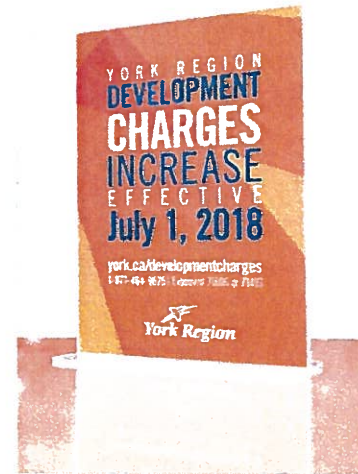
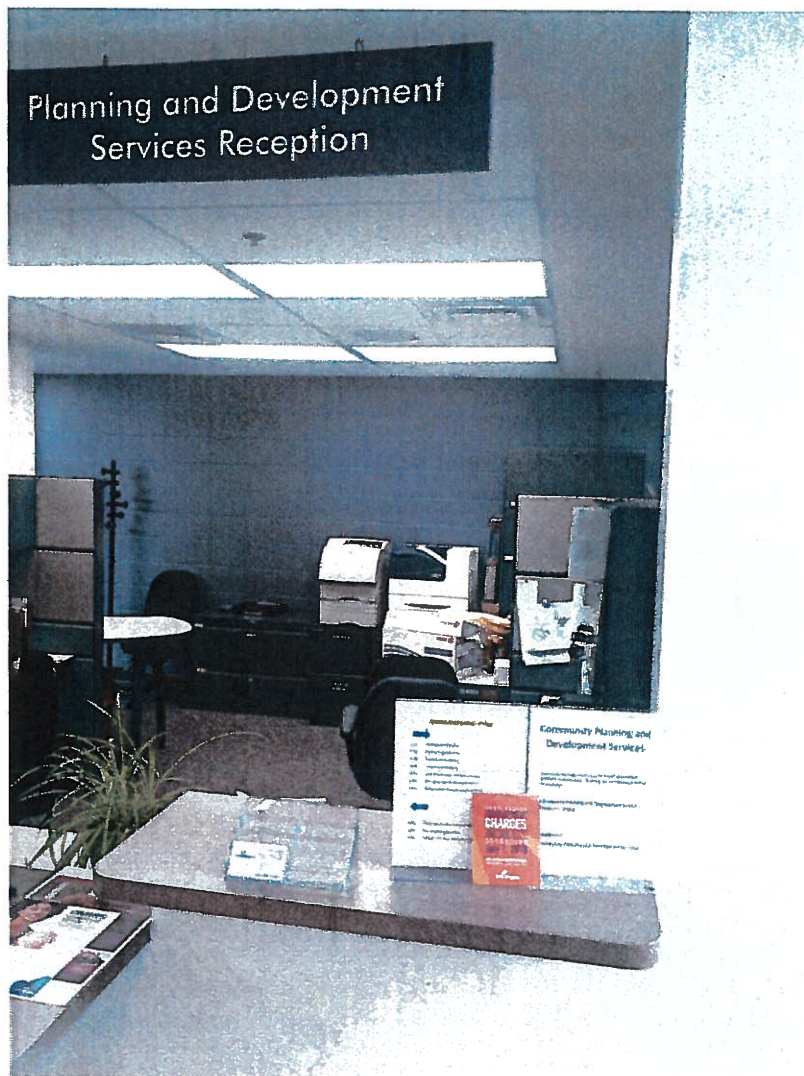
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Attachments (1)

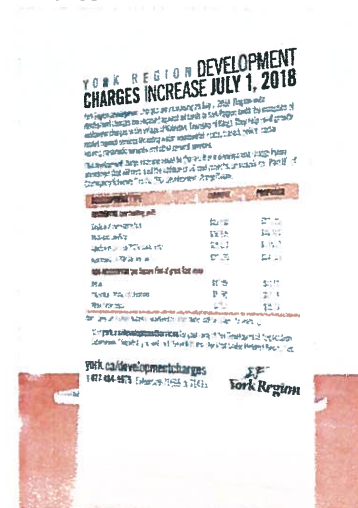
Accessible formats or communication supports are available upon request

Development charge rate increase postcard

At counter: 17250 Yonge Street, Planning and Development Services Reception



Front



Back