York Region

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CITY OF MARKHAM
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Corporate Services
Regional Clerk's Office

February 16, 2018

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

Dear Ms. Kitteringham:

Re: Draft 2018 Development Charge Background Study and Proposed Draft Bylaw Amendment

Regional Council, at its meeting held on February 15, 2018, adopted the following recommendations of Committee of the Whole regarding "Draft 2018 Development Charge Background Study and Proposed Draft Bylaw Amendment":

1. Council receive the draft 2018 Development Charge Background Study and proposed draft bylaw amendment (the "Bylaw") (Attachment 1).

2. Council endorse the proposed changes and clarifications to the treatment of structured parking and car dealerships as contained in this report, the 2018 Development Charge Background Study and proposed draft bylaw amendment (Attachment 1).

3. Council delegate to:

   a) the Commissioner of Finance the authority to schedule and give notice for the public meeting required by the Development Charges Act, 1997 (the "Act") to be held on March 22, 2018 and any subsequent public meetings, and

   b) the Committee of the Whole the authority to hold the March 22, 2018 public meeting.

4. The draft Bylaw be brought forward for consideration for approval by Regional Council at its May 17, 2018 meeting.

5. The Regional Clerk circulate this report to the local municipalities and to the Building Industry and Land Development Association – York Chapter (BILD).

A copy of Clause 6 of Committee of the Whole Report No. 3 is enclosed for your information. The 2018 Development Charge Background Study and proposed draft bylaw amendment (Attachment 1) can be found on York.ca.

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,

Christopher Raynor
Regional Clerk

/S. Dumont
Attachment

Clause 6 in Report No. 3 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on February 15, 2018.

6

Draft 2018 Development Charge Background Study and Proposed Draft Bylaw Amendment

Committee of the Whole recommends adoption of the following recommendations contained in the report dated January 26, 2018 from the Commissioner of Finance:

1. Council receive the draft 2018 Development Charge Background Study and proposed draft bylaw amendment (the "Bylaw") (Attachment 1).
2. Council endorse the proposed changes and clarifications to the treatment of structured parking and car dealerships as contained in this report, the 2018 Development Charge Background Study and proposed draft bylaw amendment (Attachment 1).
3. Council delegate to:
    a) the Commissioner of Finance the authority to schedule and give notice for the public meeting required by the Development Charges Act, 1997 (the "Act") to be held on March 22, 2018 and any subsequent public meetings, and
    b) the Committee of the Whole the authority to hold the March 22, 2018 public meeting.
4. The draft Bylaw be brought forward for consideration for approval by Regional Council at its May 17, 2018 meeting.
5. The Regional Clerk circulate this report to the local municipalities and to the Building Industry and Land Development Association – York Chapter (BILD).

Report dated January 26, 2018 from the Commissioner of Finance now follows:

Draft 2018 Development Charge Background Study and Proposed Draft Bylaw Amendment

1. Recommendations

It is recommended that:

1. Council receive the draft 2018 Development Charge Background Study and proposed draft bylaw amendment (the "Bylaw") (Attachment 1).

2. Council endorse the proposed changes and clarifications to the treatment of structured parking and car dealerships as contained in this report, the 2018 Development Charge Background Study and proposed draft bylaw amendment (Attachment 1).

3. Council delegate to:

   a. the Commissioner of Finance the authority to schedule and give notice for the public meeting required by the *Development Charges Act, 1997* (the "Act") to be held on March 22, 2018 and any subsequent public meetings, and

   b. the Committee of the Whole the authority to hold the March 22, 2018 public meeting.

4. The draft Bylaw be brought forward for consideration for approval by Regional Council at its May 17, 2018 meeting.

5. The Regional Clerk circulate this report to the local municipalities and to the Building Industry and Land Development Association – York Chapter (BILD).

2. Purpose

This report supports the tabling of the Regional Municipality of York's proposed 2018 Development Charge Background Study and amending Bylaw. It also highlights changes to the current development charge rates and bylaw, including the treatment of structured parking.

3. Background

Council directed staff to bring back a potential amendment adding "Part B" road projects to the development charge bylaw

When Council approved the 2017 Development Charge Bylaw on May 25, 2017, it also directed staff to bring back an amendment by March 31, 2018 that would add all of the roads projects in "Part B" of Contingency Schedule G of the 2017 Development Charge Bylaw into the rate calculation.

A contingency schedule is a list of proposed capital projects, with associated development charge rate increases, that would become part of the bylaw, should certain conditions be met (trigger event). The projects on "Part B" of Contingency Schedule G were subject to five financial triggers being met:

1. The province extend the power to raise revenues from new sources to the Region
2. Council approve the implementation of those new revenue sources
3. Council approve the specific project(s) as part of its 10-year capital plan
4. Council approve the allocation of new revenue sources to the project(s)
5. No additional debt would be required as a result of funding the project(s)

The 56 projects on "Part B" of Contingency Schedule G were identified as part of the 2016 Transportation Master Plan. Their inclusion was based on consultations with local municipalities and the Region's roads prioritization model. The five-part precondition to trigger the associated rate increases was chosen to ensure that the Region would be able to fund the additional projects in a fiscally prudent way.

The treatment of structured parking will also be affected by the proposed bylaw amendment

As part of the consultation process for the 2017 Development Charge Bylaw, some stakeholders expressed concern with respect to the treatment of structured parking. Staff have reviewed the treatment of all structured parking and are proposing some changes as part of this amendment. The scope of the review included:

- Accessory-use structured parking, including those servicing malls, hotels, and offices

- Structured parking used by car dealerships (stand-alone, below-grade or above-grade)

The 2018 Development Charge Bylaw and Background Study will be made available on February 15, 2018

To amend a development charge bylaw, a new background study must be prepared which underpins the rates in the amending bylaw. The *Act* requires that this background study be made available to the public for a minimum of 60 days prior to the passing of the bylaw, and at least two weeks prior to a statutorily required public meeting. Both the draft amending bylaw and the background study will be available on the Region's website on February 15, 2018.

A public meeting to receive feedback on the proposed Bylaw amendment is anticipated to precede the meeting of the Committee of the Whole on March 22, 2018. Feedback from the public meeting will be considered as part of the final 2018 Bylaw amendment that will be brought to Council for consideration on May 17, 2018, with a coming-into-force date of July 1, 2018. The coming-into-force date was chosen to coincide with the annual indexing of rates. Table 1 describes the statutory requirements, Council engagements, and the applicable dates.

Draft 2018 Development Charge Background Study and Proposed Draft Bylaw Amendment

Table 1
Key Dates in Regional Bylaw Amendment Process

Deliverable	Date	Time elapsed	
2018 Background Study and draft Bylaw amendment publicly released with a report (includes recommendation authorizing public notice)	February 15, 2018	7 days	91 days*
Notice of public meeting published in all Metroland newspapers	February 22, 2018	28 days	
Public meeting immediately prior to Committee of the Whole Week 2	March 22, 2018		
2018 Development Charge Bylaw amendment report to Committee of the Whole Week 2	May 10, 2018	56 days	
2018 Development Charge Bylaw amendment to Council for anticipated approval	May 17, 2018		
2018 Development Charge Bylaw amendment and rates come into effect	July 1, 2018		

*Note: The *Development Charges Act, 1997* requires that a background study be available to the public at least 60 days prior to passing the Bylaw.

Stakeholders were consulted during the development of this background study

Beginning in December 2017, staff consulted representatives from local municipalities and the Building Industry and Land Development Association – York Chapter (BILD). Staff met with representatives from the local municipalities on two occasions and the BILD working group on two occasions. Topics discussed include:

- Scope of the amendment
- Preliminary impact on rates
- Treatment of structured parking in the amended bylaw

The requirement under the *Act* to consider area-specific rates has already been met

Under section 10 of the *Act*, municipalities are required to consider area-specific development charges in their background study. As part of the 2017

Draft 2018 Development Charge Background Study and Proposed Draft Bylaw Amendment

Development Charge Background Study and Bylaw staff considered the potential for implementing area-specific charges. It was determined that the Region should continue with its existing practice of region-wide rates for the 2017 Bylaw (with the exception of wastewater rates for the Village of Nobleton). Chief among the considerations was the fact that the changes to the Growth Plan could affect the spatial distribution of the growth forecast, which is an essential input in determining the benefiting population and employment growth that is needed when creating an area-specific development charge. These growth forecasts will be developed through the Municipal Comprehensive Review process currently underway.

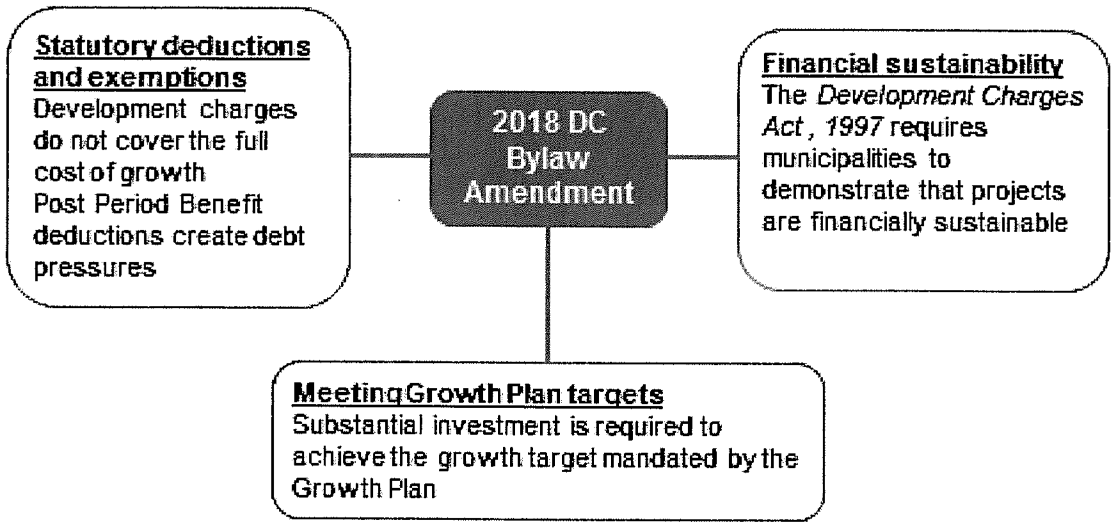
It was determined through consultation with Legal Services and Hemson Consulting Ltd. (the consultants retained by the Region to advise on development charge matters) that the consideration of area-specific charges as identified in the 2017 Development Charge Background Study, including the analysis and rationale, remains applicable to the 2018 Development Charge Background Study.

4. Analysis and Implications

A development charge bylaw must balance competing requirements

Any development charge bylaw has to balance the competing challenges and requirements of the Growth Plan and the *Act* (Figure 1).

Figure 1
Balancing competing requirements



A substantial investment in new infrastructure will be required in order to achieve the growth target mandated by the provincial Growth Plan. Development charges are a tool to recover the cost of growth-related infrastructure. However, development charges do not cover the full cost of growth, as the *Act* limits and delays cost recovery through statutory deductions (i.e., benefit to existing deductions, ten per cent statutory deductions, post-period benefit deductions), exemptions and ineligible services. Also, changes to the *Act* in 2015 added a requirement for municipalities to demonstrate that all infrastructure assets funded under a development charge bylaw are financially sustainable.

The 2017 Development Charge Bylaw balanced these requirements while ensuring sufficient roads infrastructure would be in place to achieve growth to 2031. The 2018 Bylaw amendment builds on the roads infrastructure program.

Ultimately, development charges cannot generate sufficient revenue to fund the needed growth-related infrastructure in the Region. Therefore, new revenue sources are required to meet growth objectives in a financially sustainable way.

The proposed draft 2018 Bylaw amendment will not affect the development charge rates for other services

The proposed draft 2018 Development Charge Bylaw amendment adheres to the Council direction to add the 56 roads projects from "Part B" of Contingency Schedule G to the 2017 Bylaw. The change to the development charge rates as a result of the proposed amendment only pertains to the 56 roads projects being added[1]. The Region will continue to collect development charges for all other services based on what was included in the 2017 Development Charge Bylaw.

In addition, other key assumptions and inputs will remain the same as they were in the 2017 Development Charge Background Study. These include:

- Residential and non-residential growth forecasts, including the forecast horizon (2017 to 2031)
- Development charge calculation methodologies
- Debt and reserve balances

Any change made to the 2017 Development Charge Bylaw through an amendment could be subject to appeal. By limiting the scope of the proposed 2018 Bylaw amendment, the basis of potential appeals will be narrowed.

The 2018 Bylaw amendment includes an additional $1.49 billion of gross project costs for roads growth infrastructure

Compared to the 2017 Background Study main project list, including Contingency List B will add $1.49 billion in gross project costs and $1.35 billion in development-charge-eligible costs to the rate calculation (Table 2). The difference will be a future tax levy pressure.

Table 2
Summary of Project Costs

Gross Project Costs	2017 Development Charge Background Study ($ Millions)	2018 Background Study ($ Millions)	Difference ($ Millions)
Roads Services	2,798.7	4,284.2	1,485.5
Roads Development Charge Eligible Costs (2017-2031)	1,947.5	3,295.0	1,347.6

*Note: Numbers shown here are 2017 costs and may not sum due to rounding

[1] Note: In addition the rates also reflect a technical adjustment to project 233 in the 2017 Development Charge Background Study. The adjustment is discussed on page 8 of this report.

While the cost of the additional roads projects was presented as part of the 2017 Background Study, a few technical adjustments are now being proposed.

First, the cost for the Transportation Demand Management Project (project number 233 in the 2017 Background Study) was incorrectly calculated and presented. The correct gross cost estimate should have been $34.3 million, $10.7 million higher than the amount included in the 2017 Background Study.

Second, 16 projects in "Part B" of Contingency Schedule G included environment assessment costs that had already been accounted for as part of the Roads Main Project List. These costs ($13.5 million in gross project costs) have now been excluded from the rate calculation.

Overall, adding the 56 projects to the rate calculation will result in a residential development charge rate for a single family dwelling before indexing of $57,525, representing a $9,195 (19 per cent) increase above the current rates.

Table 3 shows a breakdown of these changes to the development charge rate for a single family dwelling before indexing.

Table 3
Illustration of Changes to Single Family Dwelling Rate

Change	**Gross Cost Increase (Decrease)** **($ Millions)**	**Impact on Rate** **($)**
Addition of 56 roads projects to the Bylaw	1,488.3	9,209
Adjustment to the environmental assessment costs for 16 projects added	(13.5)	(83)
Adjustment to the Transportation Demand Management Project	10.7	69
Total	**1485.5**	9,195

*Note: Numbers may not sum due to rounding

The rate changes subject to this amendment will include an inflationary factor of 2.4 per cent to adjust the costs from 2017 to 2018 dollars. The inflationary factor is based on the annual average of the Statistics Canada's Quarterly Construction Price Index for the past ten years. This is the same factor used for all other services currently in the 2017 Development Charge Background Study.

An amended asset management plan has been prepared in accordance with the *Act*

The *Act* requires municipalities to prepare an asset management plan as part of their Background Study that will demonstrate that all assets funded by the bylaw are financially sustainable over their lifecycle. The asset management plan can be found in Chapter 7 of the draft 2018 Development Charge Background Study (*Attachment 1*).

Asset management is an integrated, lifecycle approach that brings together physical and financial aspects of existing and planned infrastructure systems. The goal is to minimize costs over time while providing the desired level of service with an appropriate level of risk.

An asset management plan covering the main project list was included in the 2017 Development Charge Background Study. It accounted for the full operating and capital requirements related to both existing and future assets, enabling an estimate of the impact of growth on both user rates and the tax levy.

The 56 road projects to be added to the rate calculation create additional lifecycle needs and tax levy impact

The proposed draft 2018 Development Charge Bylaw Amendment is scoped to amend the roads program. However, in order to have a full understanding of the asset management needs of all assets funded by Regional development charges, the full range of services are discussed in Chapter 7 of the attached draft background study (*Attachment 1*).

Table 4 summarizes the total 100-year period lifecycle costs of the assets funded through the 2017 Bylaw as amended by the draft 2018 bylaw.

Table 4
Summary of Growth Projects and Lifecycle Needs

$ Millions	Main Project List		Contingency List B		Total[1]
Service Area	**Gross Project Cost**	**100-Year Lifecycle Needs**	**Gross Project Cost**	**100-Year Lifecycle Needs**	**100-Year Lifecycle Needs**
Rate-Funded:					
Water[2]	603	1,207	-	-	1,207
Wastewater[2]	1,793	6,675	-	-	6,675
Sub-Total –Rate	**2,395**	**7,883**	**-**	**-**	**7,883**
Tax Levy-Funded					
Roads[2]	2,810	4,755	1,474	2,450	7,206
Transit	382	1,921	-	-	1,921
Toronto-York Spadina Extension[3]	282	-	-	-	-
Police[2]	227	1,098	-	-	1,098
Waste Diversion	10	56	-	-	56
Public Works[2]	152	311	-	-	311
Paramedic Services	52	123	-	-	123
Public Health	17	156	-	-	156
Social Housing	185	294	-	-	294
Courts	22	40	-	-	40
Sub-Total –Tax Levy	**4,139**	**8,754**	**-**	**2,450**	**11,204**
Grand Total	**6,534**	**16,637**	**1,474**	**2,450**	**19,087**

1. Totals may not add due to rounding
2. 2017-2031 planning period for new growth projects. For all other services, a 2017-2026 planning period was used
3. Lifecycle costs will be fully funded by the City of Toronto

Table 5 summarizes the user rate impact of water and wastewater growth projects. Table 5 is unchanged from the 2017 Development Charge Background Study.

Table 5
Summary of Rate Supported Growth Projects (2017-2031)

Description ($ Millions)	Total	2017-2021	2022-2026	2027-2031
Gross Project Costs	2,395	557	884	954
User Rate Funding (Reserves)	15	15	0	0
% of Project cost to be recovered from User Rates	0.7%	2.8%	0.0%	0.0%
Potential Growth-Related Billing Revenue Requirements	**30**	**2**	**10**	**17**

User rate impacts have been fully accounted for through water and wastewater rate increases approved by Council in 2015 and the related projects are deemed to be financially sustainable.

Tables 6 and 7 summarize the operating impacts of tax-levy-related projects included in the 2017 Bylaw, as amended by the draft 2018 Development Charge Bylaw amendment. The analysis differentiates between the projects already captured by the 2017 Development Charge Bylaw and rates, and those that are added as part of this proposed bylaw amendment.

Table 6
Summary of Tax Levy Supported Growth Projects – Main Project List, 2017 Bylaw (2017-2031)

Description ($ Millions)	Total	2017-2021	2022-2026	2027-2031
Gross Project Costs	4,139	1,983	1,290	866
Tax Levy Funding (Reserves)	901	400	258	243
% of Project cost to be recovered from Tax Levy	21.8%	20.2%	20.0%	28.1%
Potential Growth-Related Tax Levy Requirements	**301**	**56**	**104**	**140**

Table 7
Summary of Tax Levy Supported Growth Projects – Contingency Schedule G, "Part B" Projects, 2017 Bylaw (2017-2031)

Description ($ Millions)	Total	2017-2021	2022-2026	2027-2031
Gross Project Costs	1,475	34	668	773
Tax Levy Funding (Reserves)	137	13	106	18
% of Project cost to be recovered from Tax Levy	9.3%	38.4%	15.9%	2.3%
Potential Growth-Related Tax Levy Requirements	**65**	**12**	**23**	**30**

The tax levy requirements summarized in Tables 6 and 7 above are considered financially sustainable because they can be absorbed by the tax base over the forecast period through tax levy increases. Including non-growth tax levy requirements, the tax levy increase related to the main project list is estimated to be in the range of 3.5 to 4.0 per cent per year. Adding the projects from Contingency List B would increase this estimate by approximately 30 basis points, to a range of 3.8 per cent to 4.3 per cent per year.

However, in the current term, it has been Council's objective to keep annual tax levy increases at three per cent or less. Although additional analysis through the annual budget process will aim to mitigate the tax rate impacts noted above, current estimates suggest that meeting Council's tax levy target while undertaking all of the projects included in the 2017 Development Charge Bylaw as amended by the proposed draft 2018 Bylaw will require additional revenues above and beyond what can be generated through a three per cent annual tax levy increase. A total of approximately $110 million per year in additional revenue would be required. This additional revenue need is approximately $30 million higher than the additional revenue needed to fund the projects included in the 2017 Development Charge Bylaw.

These estimates have a degree of uncertainty as they are based on a number of critical assumptions about future service levels, cost pressures, and length of time to build reserves to fund future asset management requirements. They are based on the best information available at this time and will continue to be reviewed and analyzed through the annual budget process.

Appeals of the 2017 Bylaw and the 2018 amendment may be combined

There were six appeals of the 2017 Development Charge Bylaw. They relate to parking structures, road projects and the treatment of funeral homes on cemetery grounds. The first prehearing of the six appeals is not expected to be held until the middle of March, at the earliest. The timing of the 2018 amendment is such that appellants of the amendment may seek to combine their appeals with any they have filed under the 2017 Bylaw. Staff have begun to engage the appellants to scope their appeals.

If an appeal of the Region's bylaw amendment were successful, resulting in a reduced roads rate, the Region would be required to refund the difference between the development charges paid under the amended bylaw and the rate determined as a result of the appeal.

Proposed Changes to the Treatment of Structured Parking

Surface parking and structured parking are treated differently under the *Development Charges Act, 1997*

The *Development Charges Act, 1997* permits the collection of development charges for structured parking. Section 2(2) of the *Act* lists the types of development for which development charges can be levied.

Structured parking requires a building permit for buildings or structures, issued under the *Building Code Act, 1992;* this is one of the triggers for levying development charges under Section 2(2) of the *Act*.

Surface parking does not trigger any of the events listed under Section 2(2) of the *Act*. Therefore no development charges can be levied.

Structured parking can be categorized into five typologies based on use

Structured parking in the Region primarily exhibits five typologies based on use. Table 8 below summarizes those typologies.

Table 8
Summary of structured parking typology

Typology based on use*	Notes
Non-residential	
Accessory-use parking (e.g., for shopping malls, offices, places of worship, hotels, etc.)	• For employees, visitors, and patrons • Accessible to the general public
Vehicle storage in retail motor vehicle establishments	• Not accessible to general public
Vehicle storage in non-retail motor vehicle establishments	• Not accessible to general public
Structured parking to generate revenue from short-term rental parking	• Standalone paid parking structure • Accessible to the general public for a fee
Residential	
Accessory parking (e.g., condominiums and rental properties)	• Used by residents and not accessible to the general public

*Note: All can be above or below grade, attached to a structure, within a structure or a standalone structure

The Region's 2017 Development Charge Bylaw already exempts most structured parking

Most of structured parking that has been built in the Region has been for an accessory use. The Region does not levy a development charge on this type of structure.

Consistent with its historic approach, the Region's 2017 Development Charge Bylaw exempts all below grade or above grade accessory use structured parking, whether residential or non-residential.

Since 2012, development charges have been levied on structured parking when it is used by retail motor vehicle establishments, including car dealerships and motor vehicle repair shops, to store motor vehicles for sale, rental or servicing. These structures can be within the car dealership (or repair shop) or built as a standalone structure. In both instances the Bylaw levies the retail rate on the gross floor area of the structure.

While the Region's Bylaw could permit a development charge for structured parking accessory to shopping malls, hotels or standalone paid parking, no developments have ever come forward that would trigger a charge.

The treatment of vehicle storage within a car dealership has been the subject of development charge complaints in recent years

There were three complaints dealing with the treatment of parking structures under the Region's 2012 Development Charge Bylaw. Council dismissed the complaints. However they were subsequently appealed to the Ontario Municipal Board (the "Board").

Only one of these complaints has been dealt with by the Board. In that complaint, the Board ruled that a portion of the below-grade parking structure was exempt from development charges, based on zoning bylaw requirements. The complainant did not dispute the levying of the retail rate on the remaining area. The other two complaints have yet to be heard at the Board.

There were also two appeals of the Region's 2017 Development Charge Bylaw relating to automotive dealerships and parking structures

The Region also received two appeals of its 2017 Development Charge Bylaw regarding the treatment of structured parking used for the storage of motor vehicles prior to sale or servicing: one from a consortium of car dealerships, and one from Weins Canada.

The appellants have taken the position that structured parking for storing vehicles prior to sale or rent should not be charged the retail rate.

Structured parking requires Regional infrastructure services

Structured parking requires infrastructure services. Both customers and delivery vehicles use the Region's road network to get to the structure. In addition, they also require water servicing capacity to comply with fire prevention codes.

While the initial use for structured parking in retail motor vehicle establishments may be for vehicle storage, these areas often evolve over time to other functions such as service bays, detailing, and showrooms. These functions all require greater use of infrastructure services.

Market forces, as opposed to development charges, will be the catalyst for a more compact form of development

The Region has consistently levied the retail rate on car dealerships. Notwithstanding this, since 2012 there have been, on average, five new car dealerships built every year, averaging about 30,000 square feet (some as large as 90,000 square feet).

Furthermore, between 2005 and 2016, five new car dealerships were built with structured parking, and four of those were within the last five years. This move toward interior storage is likely due to the availability and cost of land and the business model of the car manufacturer, including the need to better secure and maintain their vehicles. Although the storing of vehicles inside dealerships has been led by higher-end dealerships, brands of all classes are expected to follow as land becomes increasingly scarce and more expensive.

Staff propose to levy the Industrial, Office, Institutional rate on standalone structured parking used to store motor vehicles

Under the 2017 Development Charge Bylaw, standalone structured parking used to store motor vehicles would be levied the retail rate. Staff are proposing to change this treatment to the Industrial, Office, Institutional rate, which would be consistent with other warehousing functions.

As compared to the treatment under the 2017 Bylaw, there would be some negative impact on collections, although staff do not believe the impact to be significant.

Finally, any parking spaces within these structures used for employee and customer parking would still be exempt from development charges. Staff will evaluate this on a case-by-case basis.

Staff propose to continue levying the retail rate on vehicle storage areas in car dealerships

Staff are not proposing to change the treatment of vehicle storage areas in car dealerships. The rationale for not changing the treatment of these areas in car dealerships is:

- Recognition that these areas are not just being used for storage and have additional retail uses (e.g., detailing, showroom, servicing, etc.). In some cases, areas originally used for storage may be changed to other uses after building permit issuance

- Consistency with the treatment of merchandise storage in other retail - changing the treatment of storage in car dealerships could give rise to an appeal from other retailers
- Consistency with what neighboring municipalities do

As is the case for standalone structured parking used to store motor vehicles, any parking spaces used for employee and customer parking could be exempt from development charges.

The Board has held that service bays within car dealerships are a retail function

One of the arguments of the appellants to the 2017 Development Charge Bylaw is that service bays within car dealerships should be levied the Industrial/Office/Institutional rate, as this is not a directly retail function.

A decision by the Board in *Shanahan Ltd. v. Region of York (2013)* concluded that the use of service bays to perform warranty work, "is a direct function of the retail sale of a new vehicle and is not a separate and distinct use of [sic] function from the retail activity of selling such goods as new or used cars and trucks to the general public" and as such service department areas (bays) fall "squarely within the definition of retail".

The 2018 Bylaw will clarify that all retail motor vehicle establishments with vehicle storage for sale, lease or servicing/repair purposes should be treated as retail

Aside from car dealerships, other retail motor vehicle establishments may also have requirements to store vehicles for sale, lease or servicing. These include vehicle brokerages, long-term leasing facilities, service repair shops open to the public and other similar uses. Similar to car dealerships, the Region's development charge bylaws have always treated these types of establishments as retail.

Under the 2018 Bylaw amendment, these establishments will continue to be treated as retail, including, but not limited to, areas within the structure that are used for vehicle storage.

Staff propose that the bylaw permit a blended rate for motor vehicle establishments with significant vehicle storage area

There may be instances where a proposed car dealership (or other types of retail motor vehicle establishments) includes significant storage areas. While these are not expected to be common, staff propose to amend the Bylaw so that a blended rate of retail and industrial/office/institutional could be applied.

In these instances, the retail rate would be capped at two times the gross floor area of the retail motor vehicle establishment. The gross floor area above and beyond that of the retail motor vehicle establishment would be levied the industrial/office/institutional rate.

The proposed treatment of structured parking used to store motor vehicles is in line with neighbouring municipalities

Staff have reviewed the bylaws of all local municipalities, as well as neighbouring upper-tier and single-tier municipalities. The proposed changes and clarification to the treatment of structured parking and the clarifications to the treatment of car dealerships are reasonably consistent with other municipalities (see Table 9 for further detail).

Table 9
Interjurisdictional summary of treatment of car dealerships and standalone structured parking used to store motor vehicles

Municipality	Car dealerships	Standalone structured parking used to store motor vehicles
York Region – 2018 Development Charge Bylaw Amendment	Retail	Industrial/Office/Institutional
City of Markham	Retail	Industrial/Office/Institutional
Town of Richmond Hill	Retail	Non-retail
All other local municipalities	Non-residential	Non-residential
City of Toronto*	Non-industrial	Industrial
Durham Region	Commercial	Industrial
Peel Region	Non-industrial	Industrial
Simcoe County	Non-residential	Non-residential
Halton Region	Retail	Exempt

*Note: Development charges are only levied only on ground floor.

Staff recommend clarifying the treatment for structured parking accessory to shopping malls and hotels

Although in practice this has not happened, under the 2017 Development Charge Bylaw, the Region could levy the retail rate on structured parking accessory to retail establishments, such as malls and hotels. There is a strong rationale for exempting this type of structured parking in the Region's bylaw:

- Brings treatment of shopping mall accessory parking in line with all other accessory use parking structures
- Development charges are levied on the primary structure

Staff are therefore proposing that the bylaw be amended to clarify that structured parking accessory to shopping malls or hotels be exempt from development charges.

5. Financial Considerations

The draft 2018 residential roads development charge rate is 65 per cent higher than the current rate

The residential class will see the highest increase in the roads development charge rate (by 65 per cent) compared to the current road rate (see Table 10).

Table 10
Summary of residential development charge rates*

Rate Class	Current Development Charges (Nov 8, 2017) ($)		Change ($)		Change	
	Roads	Total	Roads**	Total	Roads	Total
Single & Semi-detached	14,206	48,330	9,195	57,525	65%	19%
Multiple Unit Dwelling	11,435	38,899	7,402	46,301	65%	19%
Apartments (>= 700 Sqft)	8,311	28,273	5,379	33,652	65%	19%
Apartments (< 700 Sqft)	6,072	20,636	3,930	24,566	65%	19%

*Note: Does not include Nobleton wastewater rates.
**Note: All rate changes subject to this amendment have had an inflationary factor of 2.4 per cent applied.

The proposed non-residential roads development charge rates are similarly higher than current rates

Table 11 compares the roads and total development charge rates for the non-residential classes.

Table 11
Summary of residential development charge rates*

Rate Class	Current Development Charges (Nov 8, 2017) ($)		Change ($)		Change	
	Roads	Total	Roads**	Total	Roads	Total
Retail ($/sqft)	17.87	39.89	11.23	51.12	63%	28%
Industrial/Office/ Institutional ($/sqft)	5.26	17.87	3.29	21.19	62%	18%
Hotel ($/sqft)	3.69	7.93	2.10	10.03	57%	26%

*Note: Does not include Nobleton wastewater rates.
**Note: All rate changes subject to this amendment have had an inflationary factor of 2.4 per cent applied.

If the proposed rates are adopted, York Region will have the highest development charges among the 905 municipalities for all classes of development

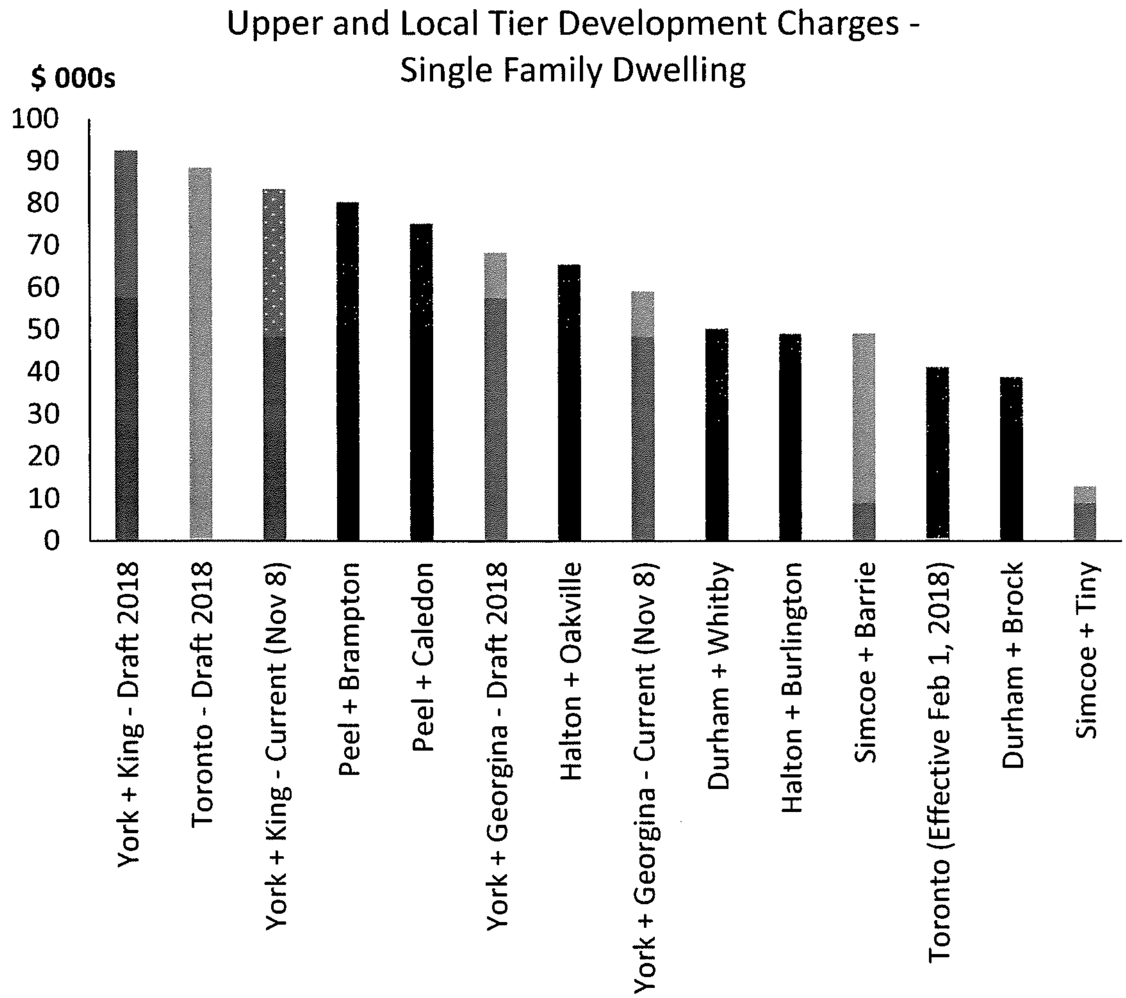
Currently, York Region's residential and office development charge rates (Regional portion) are the second highest among the 905 upper tier municipalities (second to Peel). If the proposed Bylaw amendment and rates are adopted, York Region's residential and office development charge rates will exceed that of Peel's, making the rates the highest amongst the surrounding 905 Regions.

If the proposed rates are adopted, York Region's retail and industrial/office/ institutional rates will be the highest among the 905 municipalities.

Should Council adopt the proposed rates, the combined upper tier and local municipal development charge would range from $68,298 in Georgina to $92,536 in King.

Figure 2 below compares the ranges of development charge rates for the upper tier and lower tier municipalities in the 905 area for all classes. For each upper tier municipality, the highest and lowest combined municipal development charge rates for a single family dwelling are presented.

Figure 2
Upper Tier and Lower Tier Development Charges – Single Family Dwelling



Note: On January 9, 2018, the City of Toronto tabled their 2018 Development Charge Background Study and Bylaw. If the rates as tabled were passed, the development charge rate for a single-family detached would increase from $41,251 to $88,391.

Rates imposed by the 2017 Development Charge Bylaw will be subject to indexing on July 1, 2018

The rates under this amendment would not be indexed on July 1st, 2018 as an inflationary factor has already been applied.

Rates imposed by the 2017 Bylaw for all other services will be indexed on July 1st, 2018. This includes the portion of the rates pertaining to roads services on the main list of the 2017 Development Charge Background Study.

The Region's indexing, done annually on July 1, uses Statistics Canada's Quarterly Construction Price Index, which will be published by Statistics Canada in May 2018. Over the past ten years, the annual index has averaged 2.4 per cent.

6. Local Municipal Impact

Development charges fund growth-related infrastructure that benefits residents and businesses across the Region

Development charges fund vital growth-related infrastructure, which helps local municipalities support growth and development. The road projects being added to the development charge background study and proposed bylaw will benefit future residents and businesses in the entire Region.

The Region's development charge bylaw also influences the bylaws of local municipalities. Regional staff have engaged with local municipalities through the development of this proposed bylaw amendment.

Regional staff consulted local municipalities regarding proposed clarifications to the treatment of structured parking

Development charges for non-residential structured parking are paid at building permit stage and therefore collected by the local municipalities. In addition, some of the Region's local municipalities are currently updating their development charge bylaws.

Regional staff have consulted with local municipal staff on the proposed clarifications to the treatment for standalone structured parking used to store motor vehicles and structured parking accessory to shopping malls.

7. Conclusion

The draft 2018 Development Charge Background Study and amended draft Bylaw will be tabled on February 15, 2018. This report highlights changes to the proposed bylaw, including revisions to the treatment of structured parking.

A further report will be brought forward for consideration by Council on May 17, 2018, which will include updates to the proposed 2018 Bylaw following the consideration of public input and continued consultations with all stakeholders.

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.

January 26, 2018

Attachments (1)

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Accessible formats or communication supports are available upon request