



# DEVELOPMENT CHARGES BACKGROUND STUDY UPDATE

General Committee  
September 18, 2017



# Purpose

To Update Council on the:

- Key issues raised and decisions made as a part of the preparation of the Development Charges Background Study, Bylaws and Policies
- Background information (e.g. Growth Forecast) that will be used to prepare the Study and have it available to the public by early October in order to obtain Council approval in December 2017

## Key Timelines

- Finalize Study – By October 6, 2017
- Public Meeting – November 14, 2017
- Council Approval – December 12, 2017

# Agenda

1. Stakeholder Consultation
2. Updated Growth Forecast
3. Proposed Development Charges
  - a) City Wide Hard DCs
  - b) City Wide Soft DCs
  - c) Combined Rates
  - d) DCs to Home Prices Comparison
4. Non-Growth Costs
5. Area Specific Development Charges
6. Debt
7. Operating/Lifecycle Impact
8. Council-Approved Policies
9. New Policy Items
10. New Policy Decisions
11. Timelines

# 1. Stakeholder Consultation

- Stakeholder Group was formed through an invitation extended at the Developers Round Table on March 9<sup>th</sup>
  - Four meetings have been held to-date
  - The industry's main concerns to-date have been related to the allocation of costs to
    - non-growth shares; and
    - post-2031
  - No other issues have been raised to-date

## 2. Updated Growth Forecast

- The growth forecast for the period 2017-2031 projects the following:

	2017-2026			2017-2031	
	<i>[A]</i>	<i>[B]</i>	<i>C = [A]+[B]</i>	<i>[D]</i>	<i>E = [A]+[D]</i>
	At 2016	Growth 2017-2026	At 2026	Growth 2017-2031	At 2031
<b>Residential</b>					
Occupied Dwelling Units	102,680	26,470	129,150	42,170	144,850
Census Population	328,970	73,160	402,130	115,630	444,600
<i>Population in New Dwellings</i>		75,360		120,440	
<b>Non-Residential</b>					
Employment	149,780	41,470	191,250	66,020	215,800
<i>Non-Residential Building Space (sq.m)</i>		1,997,210		3,180,205	

- Forecast in 2013 DC Study:

- 10-year Census Population Growth = 54,204; Population in New Dwelling Units = 67,212. Census population at 2031 = 403,953.
- 10-year Employment Growth = 57,283; Building Space = 2,553,322 m<sup>2</sup>. Employment at 2031 = 240,413.

## 2. Updated Growth Forecast – cont'd

- The growth forecast for the period 2017-2031 projects the following:
  - 3,180,205 m<sup>2</sup> (34,231,440 sq. ft.) of non-residential floor space
    - Retail 22% (7.6M sq. ft.)
    - Institutional 23% (7.8M sq. ft.)
    - Industrial 37% (12.7M sq. ft.)
    - Office 18% (6.1M sq. ft.)
  - 42,170 new residential units
    - Singles/Semis 33% (14,070)
    - Multiple Unit 26% (10,920)
    - Apartments 41% (17,180)

## 2. Updated Growth Forecast – cont'd

- Persons Per Unit (PPU) used in the calculation of the rates
- Current PPU's (2017 DC Study) reflect 2011 Census data – 2016 Census data is not yet available

Categories	2013 Study	2017 Study	Change in PPU
	PPU	PPU	
Single/Semi Detached	3.69	3.84	4.1%
Multiple Unit (Townhouse)	2.86	2.94	2.8%
Large Apartment	2.42	2.30	-5.0%
Small Apartment	1.80	1.69	-6.1%

2013 DC Study Source: Statistics Canada, 2006 Census Special Run

2017 DC Study Source: Statistics Canada, 2011 National Household Survey Special Run.

## 3. Proposed Development Charges

- Draft development charge rates have been calculated for:
  - City Wide Hard – CWH (2017-2031)
    - Charge per capita – Growth-related Infrastructure Cost/Projected Population and Employment Growth
  - City Wide Soft – CWS (2017-2026)
    - Charge is based on the City's established 10-year historical average service level
  - Area Specific – ASDC (2017-2031)
    - Charge per hectare – Growth-related Infrastructure Cost/Net Developable Hectare



## 3(a). Proposed Development Charges - CWH [Capital Program]

Service	2013 City-Wide Development Charge Recoverable	Proposed City-Wide Development Charge Recoverable	Difference in Recoverable	
	\$ (millions)		\$ (millions)	% Change
PROPERTIES ACQUISITION	\$72	\$207	\$135	188%
ROADS	\$128	\$216	\$88	69%
STRUCTURES	\$264	\$328	\$64	24%
WATERMAIN	\$8	\$29	\$21	263%
INTERSECTION	\$18	\$31	\$13	72%
SIDEWALKS	\$18	\$29	\$11	61%
ILLUMINATION	\$17	\$25	\$8	47%
STORM WATER MANAGEMENT	\$15	\$23	\$8	53%
STUDIES	\$10	\$11	\$1	10%
SPECIAL PROJECTS	\$37	\$36	-\$1	-3%
CREDIT AGREEMENT PROJECTS	\$6	\$4	-\$2	-33%
<b>TOTAL DCs RECOVERABLE</b>	<b>\$593</b>	<b>\$939</b>	<b>\$346</b>	<b>58%</b>

<b>TOTAL GROSS COST</b>	<b>\$970</b>	<b>\$1,403</b>
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## 3(a). Proposed Development Charges – CWH

- City Wide Hard Residential Rates

Preliminary City-Wide Hard	Current Residential Charge	Proposed Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$10,981	\$18,668	\$7,687	70%
Multiple Unit Rate	\$8,519	\$14,276	\$5,757	68%
Large Apartment	\$7,208	\$11,180	\$3,972	55%
Small Apartment	\$5,360	\$8,219	\$2,859	53%

Weighted-Average Rate Increase	63%
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## 3(a). Proposed Development Charges – CWH

- City Wide Hard Non-Residential Rates

Preliminary City-Wide Hard	Current Non-Residential Charge	Proposed Non-Residential Charge
	\$/m2	\$/m2
Retail	N/A	\$124.49
Industrial/Institutional/ Office (IOI)	N/A	\$95.10
Mixed Use	N/A	\$60.65

## 3(b). Proposed Development Charges – CWS

### Summary of capital programs

Service	Total Capital Program	Ineligible Costs (10%, replacement etc.)	Prior Growth/ Available Reserves	DC Eligible Cost (2017-2026)	Subsequent DC Studies (Post-2026)
General Government	\$28,455,500	\$1,770,100	\$0	<b>\$17,700,700</b>	\$8,984,760
Library	\$43,910,000	\$4,224,200	\$8,697,500	<b>\$30,718,000</b>	\$270,300
Fire Services	\$28,487,100	\$0	\$0	<b>\$24,383,600</b>	\$4,103,500
Indoor Recreation	\$156,812,300	\$8,728,300	\$38,802,200	<b>\$109,130,200</b>	\$151,600
Park Development	\$149,930,400	\$14,993,000	\$36,600,500	<b>\$97,320,100</b>	\$1,016,800
Public Works	\$40,385,600	\$0	\$13,948,100	<b>\$18,000,100</b>	\$8,437,400
Parking	\$1,348,300	\$134,800	\$81,000	<b>\$1,043,000</b>	\$89,400
Waste Management	\$6,967,100	\$696,700	\$0	<b>\$4,049,500</b>	\$2,221,000

## 3(b). Proposed Development Charges – CWS

Components – Rate for a Single Detached Unit (SDU)

Service	Current Residential Charge / SDU	Proposed Residential Charge / SDU	Difference in Charge	
Park Development & Facilities	\$3,697	\$4,948	\$1,251	34%
Indoor Recreation	\$5,364	\$6,023	\$659	12%
Library	\$1,113	\$1,594	\$481	43%
Fire Services	\$584	\$838	\$254	43%
Waste Management	\$0	\$210	\$210	N/A
General Government	\$511	\$667	\$156	30%
Public Works	\$507	\$660	\$153	30%
Parking	\$12	\$35	\$23	192%
<b>Total City-Wide Soft</b>	<b>\$11,789</b>	<b>\$14,975</b>	<b>\$3,186</b>	<b>27%</b>

## 3(b). Proposed Development Charges – CWS [Capital Program]

### *Library Service*

Service	Projected Collections 2017-2026	Reserve Balance	Available Funds
Library Service	\$30,717,963	(\$1,667,716)	\$29,050,247

Notable Projects	Year	DC Eligible Cost
Aaniin Community Centre and Library (20,000 sf) *	2017	\$4,566,558
Markham Centre Branch (20,000 sf)	2021	\$13,962,160
Future Branch (15,000 sf)	2025	\$10,791,874
Total		\$29,320,592

\* Remaining funding as at December 31, 2016

## 3(b). Proposed Development Charges – CWS [Capital Program]

### *Indoor Recreation*

Service	Projected Collections 2017-2026	Reserve Balance	Available Funds
Indoor Recreation	\$109,130,227	(\$69,529,591)	\$39,600,636

Notable Projects	Year	DC Eligible Cost
Aaniin Community Centre and Library (101,000 sf) *	2017	\$14,587,008
Future Community Centre Expansion (10,000 sf)	2023	\$4,705,077
Future FUA Facility (25,000 sf)	2026	\$20,460,150
Total		\$39,752,235

\*Remaining funding as at December 31, 2016

## 3(b). Proposed Development Charges – CWS [Capital Program]

### *Fire Service*

Service	Projected Collections 2017-2026	Reserve Balance	Available Funds
Fire Service	\$24,383,585	(\$440,774)	\$23,942,811

Notable Projects	Year	DC Eligible Cost
Markham Centre Station (10,000 sf)	2019	\$8,328,165
Langstaff Station (10,000 sf)	2021	\$8,328,165
FUA Station (10,000 sf)	2023	\$8,328,165
Fire Equipment – 2 <sup>nd</sup> Crew Cornell	2017	\$136,823
Vehicles	2017-2023	\$2,925,000
Total		\$28,046,318



## 3(b). Proposed Development Charges – CWS [Capital Program]

### *Public Works*

Service	Projected Collections 2017-2026	Reserve Balance	Available Funds
Public Works	\$18,000,064	\$13,948,097	\$31,948,161

Notable Projects	Year	DC Eligible Cost
Works Yard - Expansion /New	2019	\$32,208,277
Yard Expansion	2019	\$1,610,000
Yard Expansion	2023	\$2,896,800
Fleet	2017-2026	\$3,670,500
Total		\$40,385,577

## 3(b). Proposed Development Charges – CWS [Capital Program]

### *Park Development & Facilities*

Service	Projected Collections 2017-2026	Reserve Balance	Available Funds
Park Development & Facilities	\$97,320,079	\$36,600,462	\$133,920,541

Notable Projects	Year	DC Eligible Cost
Annual Park Programs	2017-2026	\$134,937,343
Total		\$134,937,343

## 3(b). Proposed Development Charges – CWS

- City Wide Soft Residential Rates

Preliminary City-Wide Soft	Current Residential Charge	Proposed Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$11,789	\$14,975	\$3,186	27%
Multiple Unit Rate	\$9,147	\$11,453	\$2,306	25%
Large Apartment	\$7,738	\$8,969	\$1,231	16%
Small Apartment	\$5,756	\$6,594	\$838	15%

Weighted-Average Rate Increase	22%
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## 3(b). Proposed Development Charges – CWS

- City Wide Soft Non-Residential Rates

Preliminary City-Wide Soft	Current Non-Residential Charge	Proposed Non-Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/m2	\$/m2	\$	%
Retail	\$10.68	\$14.69	\$4.01	38%
Industrial/Institutional/ Office (IOI)	\$9.87	\$11.20	\$1.33	13%
Mixed Use	\$6.95	\$7.16	\$0.21	3%

Weighted-Average Rate Increase	18%
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## 3(c). Proposed Development Charges – Rates

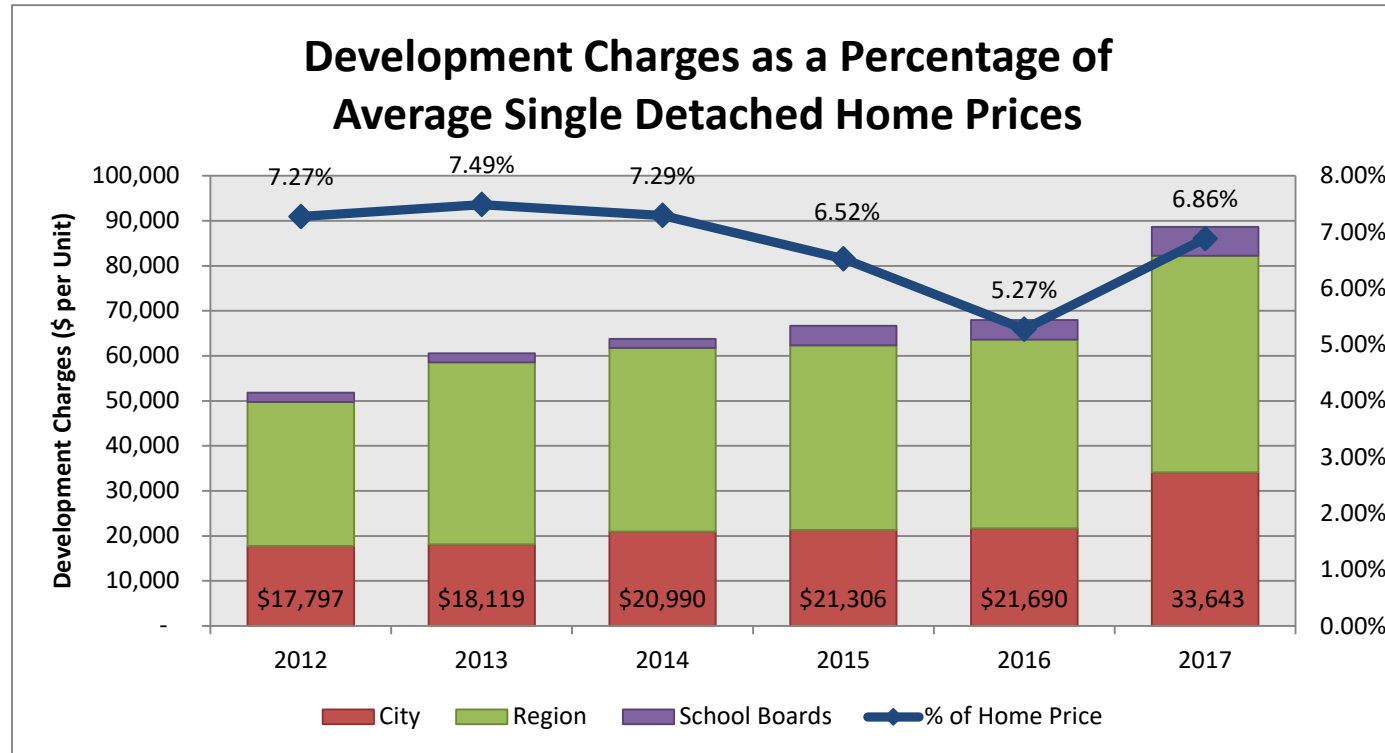
- Combined Residential Rates

Preliminary City-Wide Hard & Soft	Current Residential Charge	Proposed Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$22,770	\$33,643	\$10,873	48%
Multiple Unit Rate	\$17,666	\$25,729	\$8,063	46%
Large Apartment	\$14,946	\$20,149	\$5,203	35%
Small Apartment	\$11,116	\$14,813	\$3,697	33%

Weighted-Average Rate Increase

42%

## 3(d). Development Charges to Home Prices Comparison



**2017 Includes:**

- School Board Increase
- Regional Increase
- Proposed City Increase
- Utilized average price for 2016

## 4. Non-Growth Costs

- Non-Growth Cost – Represents the portion of infrastructure cost that benefit the existing population and is ineligible for development charge funding

\$ (Millions)		
Non Growth Costs	2013	Draft 2017
<b>City Wide Hard (2017-2031)</b>		
As Per Background Study	\$70	\$36
Prior Budget Approval	(\$1)	(\$6)
<b>Required Funding</b>	<b>\$69</b>	<b>\$30</b>
<b>City Wide Soft (2017-2026)</b>		
As Per Background Study	\$30	\$31
Approved City Wide Soft	(\$13)	(\$10)
<b>Required Funding</b>	<b>\$17</b>	<b>\$21</b>
<b>Total Required Funding</b>	<b>\$86</b>	<b>\$51</b>

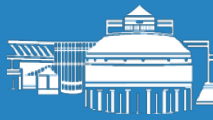
## 4. Non-Growth Costs

- Total annual non-growth cost to be funded over the next 10 years is \$3.9M per annum (\$2.1M for soft services and \$1.8M for hard services)
- Based on the approved Gas Tax framework, \$4M is available annually to fund non-growth costs
  - This is sufficient to cover the annual non-growth requirements



## 5. Area Specific Development Charges (ASDC)

- Staff have met with landowners over the past months to discuss and determine the infrastructure requirements for their specific areas
  - Infrastructure for most areas have been established, however staff are reviewing new queries received from developers
  - ASDCs will be finalized prior to the publication of the Background Study (released by October 6<sup>th</sup>)
- The City currently has 20 ASDC bylaws and it is proposed to pass bylaws for 19 in the new background study (a reduction of 1)
  - The proposal is to close three current ASDCs and open two new ASDCs for the FUA



## 5. Area Specific DCs – Proposed Rates

Area	Proposed Net Developable Hectares	Current ASDC Charge per Hectare	Proposed ASDC Charge per Hectare	Difference in Charge	
Yonge Steeles Corridor	9.07	\$1,231,513	\$1,256,227	\$24,714	2%
Armadale	27.89	\$10,723	\$11,579	\$856	8%
Armadale NE	28.45	\$12,685	\$15,727	\$3,042	24%
PD 1-7	4.48	\$742,898	\$1,270,583	\$527,685	71%
Rodick/Miller Road Planning District	29.28	\$239,773	\$600,374	\$360,601	150%
Buttonville Airport	53.00	\$654,325	\$153,303	(\$501,022)	-77%
Mount Joy	19.42	\$51,906	\$131,152	\$79,246	153%
Markham Centre - South Unionville - Helen Ave	2.16	\$1,809,555	\$162,264	(\$1,647,291)	-91%
Markham Centre	107.61	\$7,365	\$7,825	\$460	6%
Markham Centre - Clegg	5.22	\$100,952	\$162,726	\$61,774	61%
Markham Centre - Hotel	0.50	\$962,844	\$889,370	(\$73,474)	-8%
Markham Centre - South Hwy 7	6.20	\$1,364,613	\$1,289,611	(\$75,002)	-5%
Markham Centre - Sciberras	4.80	\$1,545,856	\$1,468,636	(\$77,220)	-5%
Markham Centre - East Precinct	11.22	\$3,351,013	\$2,328,441	(\$1,022,572)	-31%
Cathedral	62.03	\$25,869	\$10,138	(\$15,731)	-61%
York Downs	17.95	\$26,798	\$24,348	(\$2,450)	-9%
404 North	58.45	\$46,315	\$61,987	\$15,672	34%
Future Urban Area	585.81	\$0	\$14,029	\$14,029	0%
Future Urban Area #2	TBD	\$0	TBD	-	-

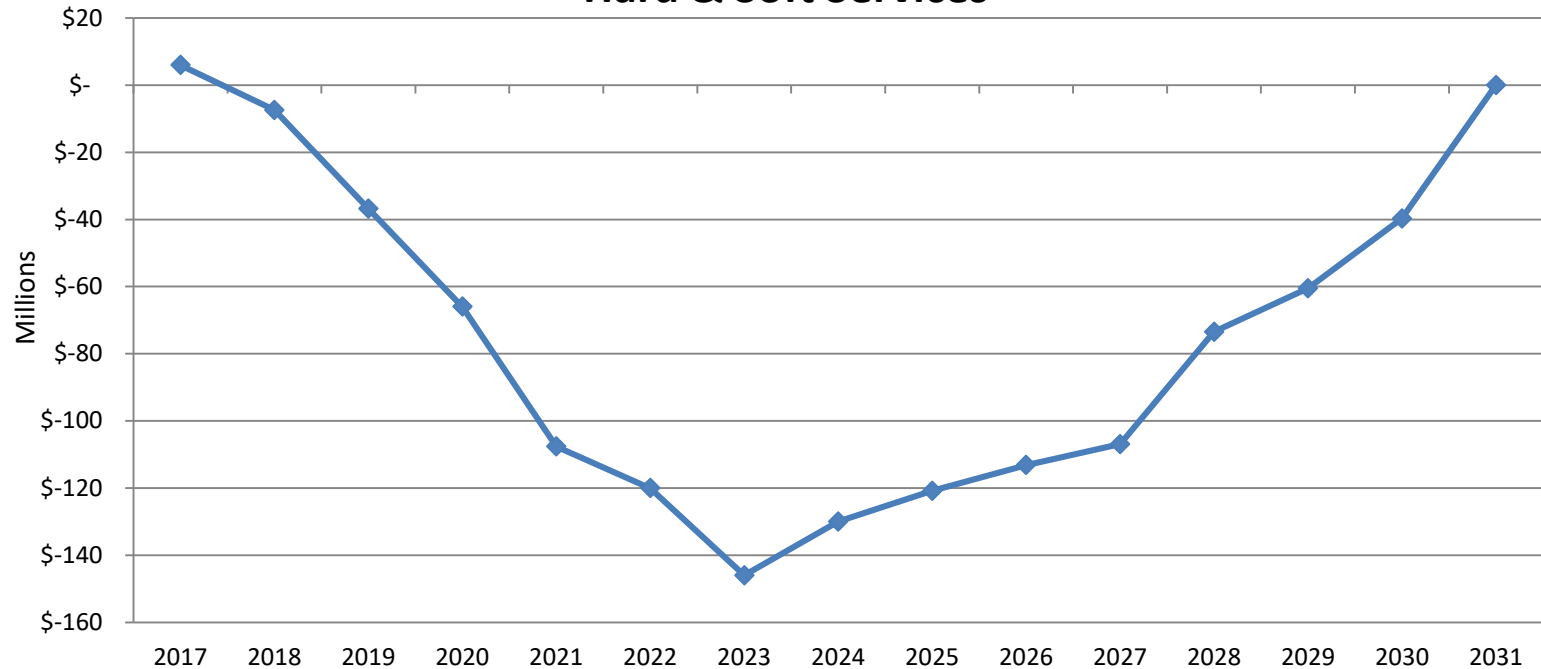
## 6. Debt

- Based on the soft services 10-year capital programs, the City will be constructing facilities ahead of growth with over 50% of the programs planned in the first 4 years (2017-2020) – includes funding of Aaniin CC&L
- Pre-emplacement of facilities ahead of growth leads to expenditures before the corresponding DC revenue inflow and results in borrowing
- A risk of pre-emplacing facilities is that revenue inflow may not cover interest servicing cost if the expected growth does not materialize



## 6. Debt

### Development Charge Reserve Balances Hard & Soft Services



## 6. Debt Issues to Consider

- DC Revenues
  - DC rates are increasing partly due to recovery of interest on the debt financing
- Housing & Employment Forecast
  - Not achieving the population and employment forecast will limit the City's ability to fund the capital programs through DC's
  - However, less growth should result in less infrastructure needs
- Operating Costs
  - The City will incur operating costs in advance of assessment growth

## 7. Operating/Lifecycle Impact

- Projected new asset value per capita for the period 2016-2031 is less than the existing asset value per capita throughout the City, indicating at a high level, that the City is not adding assets beyond its capability to operate
- The City has a practice of setting aside sufficient funds as a part of its annual budgeting process to offset the operating costs of new facilities (e.g. currently ramping up for Aaniin CC&L)
- The City has a lifecycle reserve study in place to ensure there are sufficient funds in the reserve for the rehabilitation and replacement of infrastructure for the next 25 years, based on known inflows and outflows

## 8. Council-Approved Policies

	Policy	Description
1.	Road Reconstruction	<ul style="list-style-type: none"> <li>New roads/expansions to accommodate growth is funded 100% from DCs</li> </ul>
2.	Non-residential Development/Redevelopment	<ul style="list-style-type: none"> <li>Levy non-residential City Wide Hard DCs based on floor space (Gross Floor Area) rather than land area</li> </ul>
3.	Differentiated Rates	<ul style="list-style-type: none"> <li>Develop a GFA-based methodology that supports differentiated rates for City Wide Hard charges related to non-residential development</li> </ul>
4.	Redevelopment Credit	<ul style="list-style-type: none"> <li>Provide a credit for change-in-use based on prevailing rates, consistent with Region</li> </ul>
5.	Apartment Delineation	<ul style="list-style-type: none"> <li>Adopt the threshold of 700 sq. ft. to delineate large and small apartments</li> </ul>
6.	Office Incentive	<ul style="list-style-type: none"> <li>Charge 100% CWH DCs for the first 100,000 sq. ft. of GFA of office space, with a reduced charge of 25% CWH DCs on GFA exceeding the threshold</li> </ul>

## 9. New Policy Items

### 1) *Office Incentive*

- The approved policy of a reduced charge for GFA exceeding 100,000 sq. ft. does not include the City Wide Soft charges
  - The approval was done in conjunction with the changes in the City Wide Hard (CWH) methodology [i.e. assessment on GFA vs. land area] and only the CWH reduction was approved

- Sub-Committee Resolution

Charge 100% City Wide Soft DCs for the first 100,000 sq. ft. of GFA of office space, with a reduced charge of 25% City Wide Soft DCs on GFA exceeding the threshold



## 9. New Policy Items – Decision

### 1) *Office Incentive*

That Council endorse the following policies to be utilized in the preparation of the DC Background Study:

*THAT staff be directed to institute a policy for office space as follows:*

- *100% City Wide Soft DCs to be charged for the first 100,000 sq. ft. of gross floor area, with a reduced charge of 25% City Wide Soft DCs on gross floor area exceeding the threshold*

## 9. New Policy Items

### 2) *Deferral Policy*

- *Current Policy*

- Deferral repayment rates are increased to protect the City and ensure collection of an amount that recognizes the time value of money
- Repayment rates are based on the higher of:
  - The rate in effect at building permit issuance, plus indexing;
  - The rate in effect at building permit issuance, plus accrued interest;
  - The rate in effect at building permit issuance, plus the average cost of borrowing through the Region; or
  - **The rate that is in effect at the time of payment**

## 9. New Policy Items

### 2) *Deferral Policy*

- City's intention is to remain in a revenue neutral position
  - Utilization of the “rate that is in effect at time of payment” has proved difficult for landowners when rates are adjusted through a background study update
  - The removal of this provision for CWH and CWS DCs will not negatively impact the City and will make the program more attractive to the development industry
- Sub-Committee Resolution  
Remove “*The rate that is in effect at the time of payment*” from the policy as a repayment assessment option

## 9. New Policy Items – Decision

### 2) *Deferral Policy*

That Council endorse the following policies to be utilized in the preparation of the DC Background Study:

*THAT staff be directed to remove “The rate that is in effect at the time of payment” from the Development Charge Deferral Policy as a repayment assessment option*

## 9. New Policy Items

### 3) ***Deferral – Purpose-Built (High Density) Rental Buildings***

- Issue
  - Region instituted a deferral for purpose-built rentals which will only be honoured if local municipalities also defer their charges
    - Municipal deferral must be similar or better than the Region's
    - Development must be a minimum of four (4) stories
    - Intention is to provide increased rental stock
    - Not limited to *affordable housing*
- Offering a deferral for purpose built rentals will incent this form of development and allow the Region to follow suit

## 9. New Policy Items

### 3) *Deferral – Purpose-Built (High Density) Rental Buildings*

Key Components of Region's Policy Recommendation	
Duration	36 months
Applicable Rate	Calculated at building permit issuance
Interest	No Interest*
Security	Charge against Land
Title Registration	20-year change of use covenant

- The interest and security provision is not aligned with the City's approach under its current Deferral Policy

\*If paid within 15 days of deferral expiration

## 9. New Policy Items

### 3) *Deferral – Purpose-Built (High Density) Rental Buildings*

- Sub-Committee Resolution

Implement a deferral for purpose-built high density rental buildings with the following terms:

- Rate and quantum determined at building permit issuance
- Duration of 36 months with no interest applied if paid within 15 days of the deferral expiration
- Security in the form of a charge against land
- Registration on title restricting change of use for 20 years

Staff continue to review other options to make both rental and affordable housing more feasible in Markham

## 9. New Policy Items – Decision

### 3) *Deferral – Purpose-Built (High Density) Rental Buildings*

That Council endorse the following policies to be utilized in the preparation of the DC Background Study:

- a) *THAT staff institute a development charge deferral for purpose-built high density rental buildings with the following terms:*
  - *Rate and quantum determined at building permit issuance*
  - *Duration of 36 months with no interest applied if paid within 15 days of the deferral expiration*
  - *Security in the form of a charge against land*
  - *Registration on title restricting change of use for 20 years*
- b) *Staff continue to review other options to make both rental and affordable housing more feasible in Markham*



## 10. Summary – New Policy Decisions

That Council endorse the following policies to be utilized in the preparation of the DC Background Study:

1. THAT *staff be directed to institute a policy for office space as follows:*
  - *100% City Wide Soft DCs to be charged for the first 100,000 sq. ft. of gross floor area, with a reduced charge of 25% City Wide Soft DCs on gross floor area exceeding the threshold*
2. THAT *staff be directed to remove “The rate that is in effect at the time of payment” from the Development Charge Deferral Policy as a repayment assessment option*

## 10. Summary – New Policy Decisions

3. (a) *THAT staff update the DC Deferral Policy to provide a development charge deferral for purpose-built high density rental buildings with the following terms:*
- *Rate and quantum determined at building permit issuance*
  - *Duration of 36 months with no interest applied, if paid within 15 days of the deferral expiration*
  - *Security in the form of a charge against land*
  - *Registration on title restricting change of use for 20 years*
- (b) *Staff will continue to review other options to make both rental and affordable housing more feasible in Markham*

## 11. Timelines

- Developer Consultation – Four meetings to-date
  - Further meetings if required
- Council Sub-Committee
  - Further meetings if required
- General Committee – September 18, 2017
- Finalize Study – By October 6, 2017
- Public Meeting – November 14, 2017
- Council Approval – December 12, 2017
- Effective Date January 2, 2018



# QUESTIONS