



DEVELOPMENT CHARGES BACKGROUND STUDY UPDATE

General Committee
June 6, 2017



Agenda

1. Stakeholder Consultation
2. Policy Submission to Stakeholders
3. Growth Forecast
4. Preliminary City Wide Hard DCs
5. Preliminary City Wide Soft DCs
6. Preliminary Development Charges
7. Municipal Comparison of DCs
8. Development Charges to Home Prices
9. Non-Growth Costs
10. Policy Items
11. Policy Decisions
12. Timelines

1. Stakeholder Consultation

- Stakeholder Group was formed through an invitation extended at the Developers Round table on March 9th
 - One meeting was held on May 16th to solicit feedback on the proposed policy changes and to discuss issues the development industry raised
- Area Specific meetings commenced and will continue through to August 2017

2. Policy Submission to Stakeholders

- *Road Reconstruction*
 - Institute a policy where new roads/expansions to accommodate growth is funded 100% from DCs
- *Non-residential Development/Redevelopment*
 - Levy non-residential City Wide Hard Development Charges based on floor space (Gross Floor Area) rather than land area
- *Differentiated Rates*
 - Develop a GFA-based methodology that supports differentiated rates for CWH charges related to non-residential development
- *Redevelopment Credit*
 - Provide a credit for change-in-use based on the prevailing rates, consistent with York Region

3. Growth Forecast

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

	2017-2026			2017-2031	
	At 2016	Growth 2017-2026	At 2026	Growth 2017-2031	At 2031
Residential					
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	
Non-Residential					
Employment	149,860	41,360	191,220	65,940	215,800
<i>Non-Residential Building Space (sq.m)</i>		2,154,440		3,438,940	

- Forecast in 2013 DC Study:

- 10-year (2013-2022) Census Population - 54,204; Population in New Dwelling Units – 67,212. Census population to 2031 – 403,953.
- 10-year Employment – 57,283; Building Space – 2,553,322 m². Employment to 2031 – 240,413.

3. Growth Forecast – cont'd

- The growth forecast for the period 2017-2031 projects the following:
 - 3,438,940 m² (37,016,440 sq. ft.) of non residential floor space
 - Retail 13% (4.8M sq. ft.)
 - Institutional 14% (5.2M sq. ft.)
 - Industrial 56% (20.7M sq. ft.)
 - Office 17% (6.3M sq. ft.)
 - 42,170 new residential units
 - Singles/Semis 33% (14,070)
 - Multiple Unit 26% (10,920)
 - Apartments 41% (17,180)

3. Growth Forecast – cont'd

- Persons Per Unit (PPU) used in the calculation of the rates

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%

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

4. Preliminary Development Charges

- Preliminary development charge rates have been calculated for:
 - City Wide Hard
 - City Wide Soft
 - Area Specific
- Highlights of the capital programs for City Wide Hard and City Wide Soft along with the resulting preliminary rates will be reviewed in this presentation
- An overview of the Area Specific charges will be presented to the Sub-committee subsequent to meetings with the area developers

4. Preliminary CWH DCs – Calculation Review

City Wide Hard

- Residential Charge – per unit
- Non-Residential Charge – per hectare

Residential Calculation Example:

- Hard Services Charge = Expected Hard Infrastructure Cost/Projected Population
- \$300 million of expected residential Hard Infrastructure
- 100,000 new population expected by 2031
- Hard Services Charge = \$300 million / 100,000 = \$3,000/person
- \$3,000/person X Population Per Unit = Hard Services Charge



4. Preliminary City Wide Hard DCs

Service	2013 City- Wide Development Charge Recoverable	Proposed 2017 City-Wide Development Charge Recoverable	Difference in Recoverable	
	\$ (millions)		\$ (millions)	% Change
PROPERTIES ACQUISITION	\$72	\$198	\$126	174%
STRUCTURES	\$264	\$360	\$95	36%
ROADS	\$128	\$208	\$80	62%
SPECIAL PROJECTS	\$37	\$58	\$22	58%
WATERMAIN	\$8	\$28	\$20	269%
SIDEWALKS	\$18	\$32	\$14	81%
INTERSECTION	\$18	\$29	\$11	63%
ILLUMINATION	\$18	\$27	\$10	56%
STORM WATER MANAGEMENT	\$15	\$20	\$5	32%
CREDIT AGREEMENT PROJECTS	\$6	\$4	-\$3	-39%
STUDIES	\$10	\$6	-\$4	-39%
TOTAL DCs RECOVERABLE	\$593	\$970	\$377	69%

TOTAL GROSS COST	\$970	\$1,494
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4. Preliminary City Wide Hard DCs – cont'd

- Proposed 2017 CWH Residential Rates

Preliminary City-Wide Hard Charges	Current Residential Charge	Proposed 2017 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$10,797	\$18,978	\$8,181	76%
Multiple Unit (Townhouse)	\$8,376	\$14,513	\$6,137	73%
Large Apartment	\$7,088	\$11,365	\$4,277	60%
Small Apartment	\$5,270	\$8,356	\$3,086	59%

Average Rate Increase	67%
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4. Preliminary City Wide Hard DCs – cont'd

Proposed 2017 CWH Non-Residential Rates

Current Land-Based Approach

Preliminary	Current Non-Residential Charge (per ha)	2017 Proposed Non-Residential Charge (per ha)	Increase/ (Decrease)	Increase/ (Decrease)
	[A]	[B]	[B-A]	%
Land-Based Charge	\$235,858	\$393,000	\$157,142	67%

Proposed GFA-Based Approach

Preliminary	2017 Proposed Non-Residential Charge
	Per M ²
Retail	\$123.31
Industrial/Institutional /Office (IOI)	\$90.41

5. Preliminary CWS DCs – Calculation Review

City Wide Soft

- Development charge is based on the City's established 10 year historical average service level
- Residential Charge – per unit
- Non-Residential Charge – gross floor area (GFA)



Residential Calculation Example:

- City currently has 600,000 sq.ft. of Recreation Space for 300,000 people
- Service level = 2 sq.ft./person (600,000 sq.ft./300,000 people)
- Recreation DC Charge would be calculated as \$480/sq.ft. X 2 sq.ft. service level X 90% = \$864/person
- \$864/person X Population Per Unit = Soft Services Charge

5. Preliminary City Wide Soft DCs

Service	Projected Collections 2017-2026	Reserve Balance Adjustment	Available Funds	Comments ¹
Indoor Recreation	\$108,790,684	(\$69,529,591)	\$39,261,093	Equivalent to about 45,000 - 55,000 sq.ft. of space
Park Development & Facilities	\$96,905,256	\$36,600,462	\$133,505,718	
Library Service	\$30,717,963	(\$1,667,716)	\$29,050,247	Equivalent to about 30,000 - 35,000 sq.ft. of space
Fire Service	\$24,371,177	(\$440,774)	\$23,930,403	Equivalent to about 35,000 - 40,000 sq.ft. of space plus accompanying vehicles
Public Works	\$17,983,200	\$13,948,097	\$31,931,297	Equivalent to about 40,000 - 50,000 sq.ft. of works yard space
General Government	\$17,700,700	(\$10,754,830)	\$6,945,870	
Waste Management	\$4,049,461	N/A	\$4,049,461	Equivalent to about 4 additions to collections fleet and 3,000 - 5,000 sq.ft. of depot space
Parking	\$1,042,025	\$81,027	\$1,123,052	

1) - Takes into account the estimated cost of land and FF&E

5. Preliminary City Wide Soft DCs – cont'd

Components – Proposed 2017 Rate for a Single Detached Unit (SDU)

Service	Current Residential Charge / SDU	Calculated Residential Charge / SDU	Difference in Charge	
Park Development & Facilities	\$3,636	\$4,972	\$1,336	37%
Indoor Recreation	\$5,275	\$6,029	\$754	14%
Library	\$1,095	\$1,624	\$529	48%
Fire Services	\$575	\$907	\$332	58%
Waste Management	\$0	\$210	\$210	N/A
Public Works	\$499	\$679	\$180	36%
General Government	\$503	\$668	\$165	33%
Parking	\$12	\$35	\$23	197%
Total City-Wide Soft	\$11,593	\$15,124	\$3,531	30%

5. Preliminary City Wide Soft DCs – cont'd

Proposed 2017 City Wide Soft Residential Rates

Preliminary City-Wide Soft	Current Residential Charge	Proposed 2017 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$11,592	\$15,124	\$3,532	30%
Multiple Unit (Townhouse)	\$8,994	\$11,567	\$2,573	29%
Large Apartment	\$7,609	\$9,059	\$1,450	19%
Small Apartment	\$5,660	\$6,659	\$999	18%

Average Rate Increase	24%
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5. Preliminary City Wide Soft DCs – cont'd

Proposed 2017 City Wide Soft Non-Residential Rates

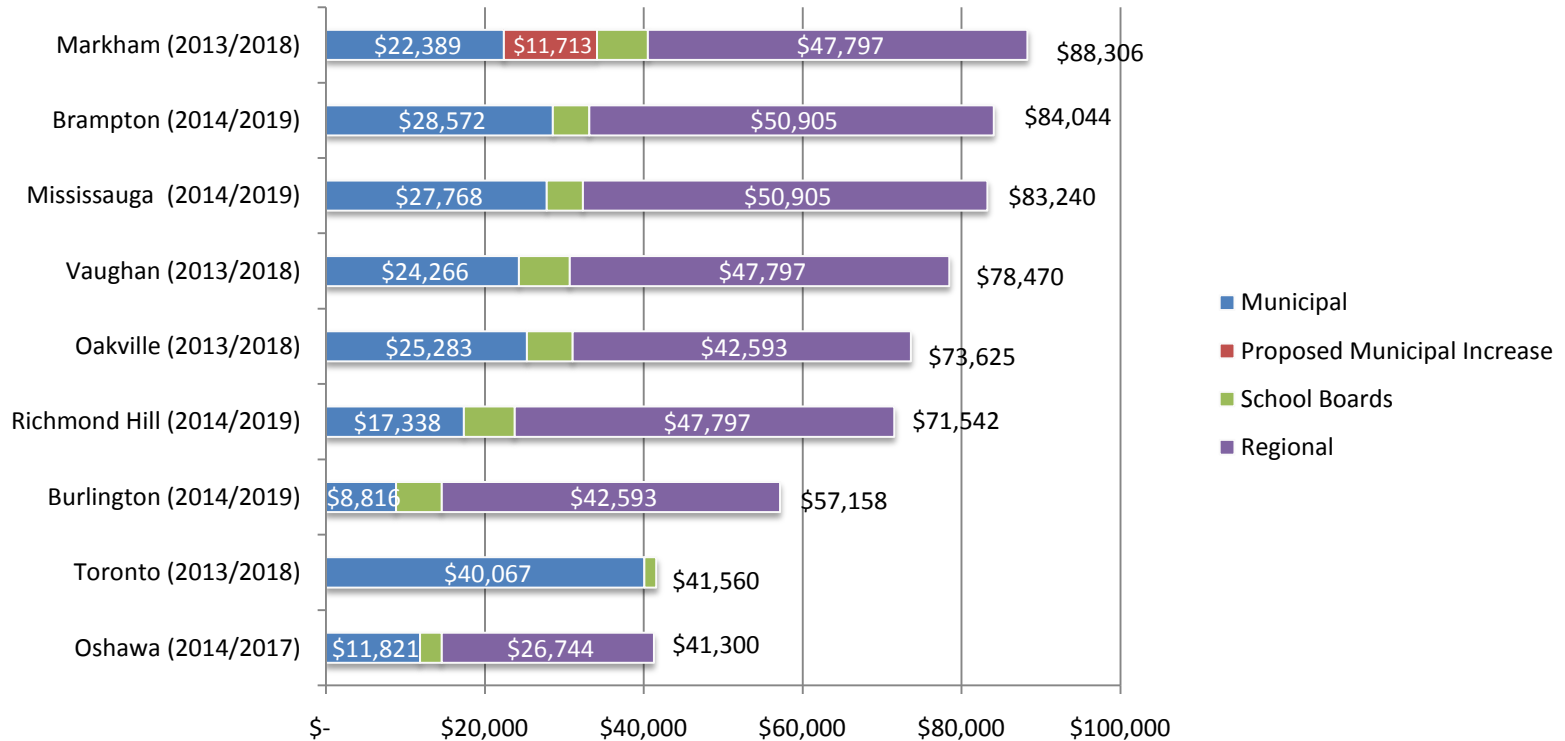
Preliminary City-Wide Soft	Current Non-Residential Charge m ²	Proposed 2017 Non-Residential Charge m ²	Increase/ (Decrease)	Increase/ (Decrease)
	[A]	[B]	[B-A]	%
Retail	\$10.51	\$12.40	\$1.89	18%
Industrial/Institutional/ Office (IOI)	\$9.71	\$10.91	\$1.20	12%
Mixed Use	\$6.84	\$7.96	\$1.12	16%

6. Preliminary Development Charges

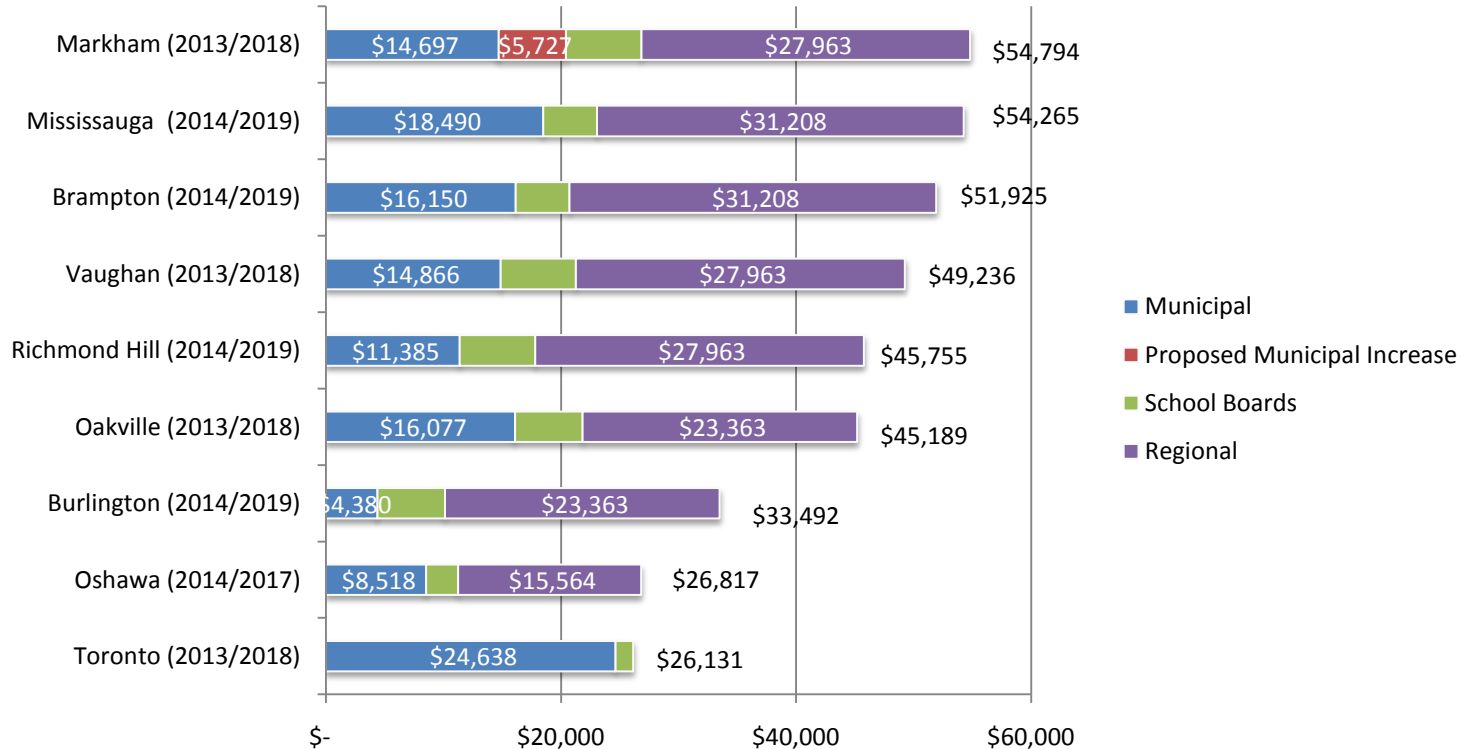
- Proposed 2017 City Wide Hard and Soft Residential Development Charge Rates

Categories	Current Residential Charge	Proposed 2017 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$22,389	\$34,102	\$11,713	52%
Multiple Unit (Townhouse)	\$17,370	\$26,080	\$8,710	50%
Large Apartment	\$14,697	\$20,424	\$5,727	39%
Small Apartment	\$10,930	\$15,015	\$4,085	37%
Average Rate Increase				45%

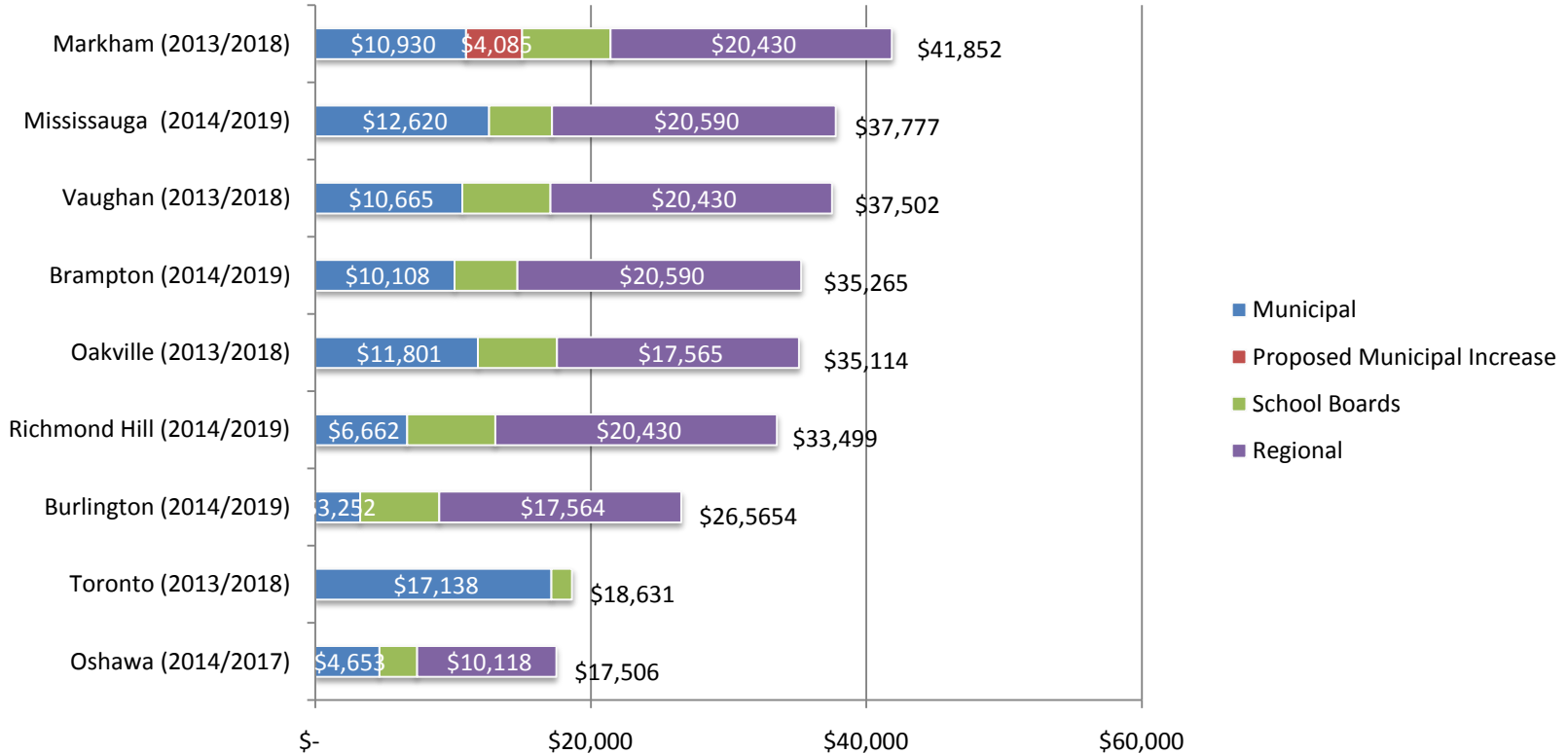
7. Municipal Comparison of DCs – Single/Semi Detached Dwelling



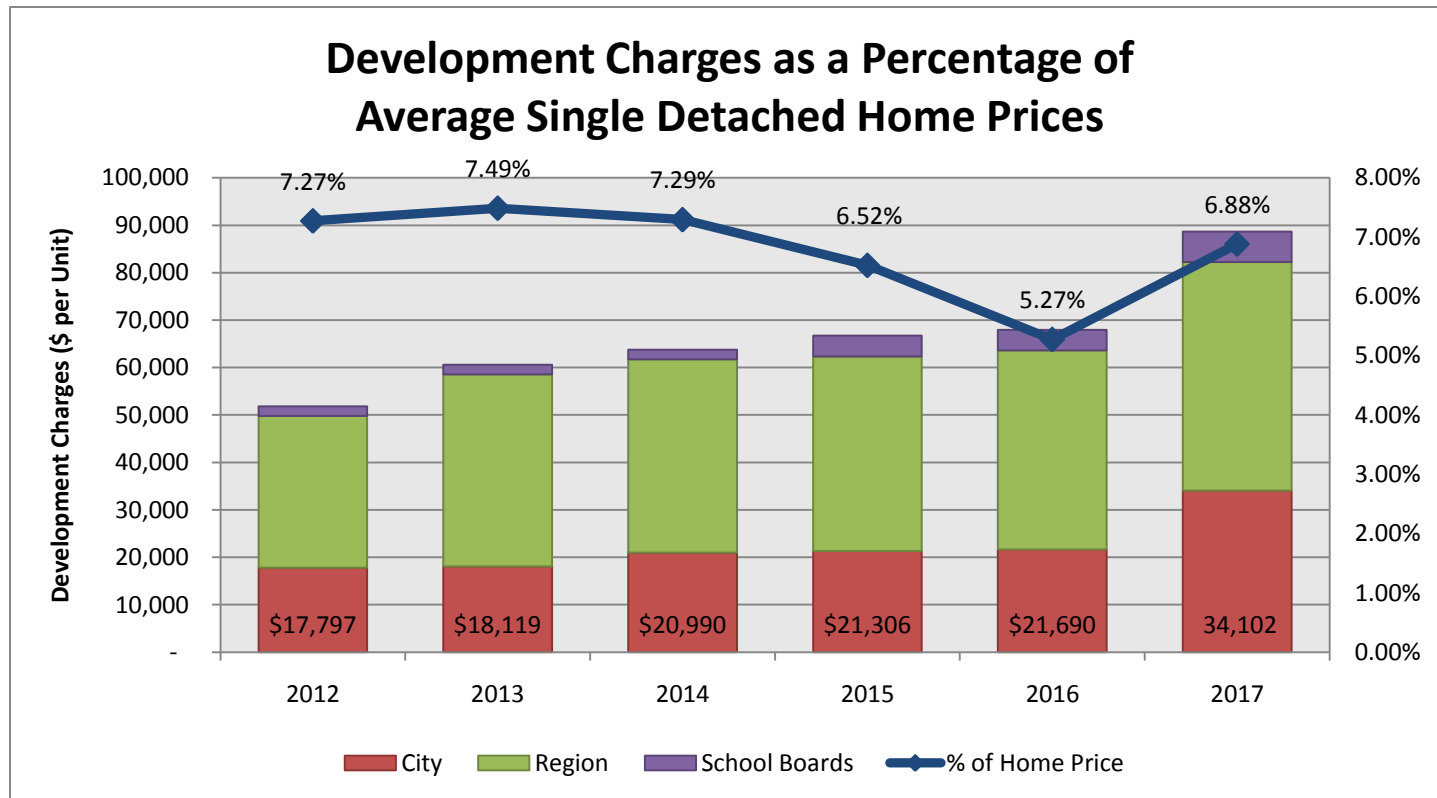
7. Municipal Comparison of DCs – Large Apartment



7. Municipal Comparison of DCs – Small Apartment



8. Development Charges to Home Prices



2017 Includes:

- School Board Increase
- Regional Increase
- Proposed City Increase

• Utilized average price for 2016

9. 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	2017
City Wide Hard (2017-2031)		
As Per Background Study	\$70	\$33
Prior Budget Approval	(\$1)	(\$6)
Required Funding	\$69	\$27
City Wide Soft (2017-2026)		
As Per Background Study	\$30	\$24
Approved City Wide Soft	(\$13)	(\$10)
Required Funding	\$17	\$14
Total Required Funding	\$86	\$41

9. Non-Growth Costs

- Total annual non-growth cost to be funded over the next 10 years is \$3.8M per annum (\$1.4M for soft services and \$2.4M for hard services)
- Based on approved Gas Tax framework, \$4M is available annually to fund non-growth costs
 - This is sufficient to cover the annual non-growth requirements

10. Policy Items

Incentive for Large Office Buildings

- Change in non-residential CWH to proposed GFA rate has impact on high-rise offices

Example

AVIVA Office Building (13-Storey) 7980 Birchmount Road Gross Floor Area - 34,050m ² or 366,511 sq. ft.					
	Type of Charge	Proposed 2017 DC Rate	Ha	GFA (M ²)	Estimated CWH Development Charges Payable
Current Methodology	Land-based	\$393,000	4.41	-	\$1,733,130
Proposed Methodology	GFA	90.41		34,050	\$3,078,461
				Difference	\$1,345,331
				Difference	77.62%

10. Policy Items – cont'd

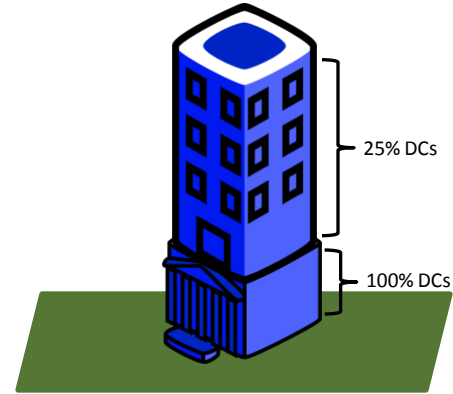
Office Incentive – cont'd

- Current Policy
 - No incentive currently in place
- Issue
 - CWH methodology change from land-based to GFA-based charges may negatively impact high-rise offices looking to build in Markham
- Option
 - 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

10. Policy Items – cont'd

Office Incentive – cont'd

AVIVA Office Building (13-Storey) 7980 Birchmount Road Gross Floor Area - 34,050m ² or 366,511 sq. ft.					
	Type of Charge	Proposed 2017 DC Rate	Ha	GFA (M ²)	Estimated CWH Development Charges Payable
Current Methodology	Land-based	\$393,000	4.41	-	\$1,733,130
Proposed - With Incentive					
100% CWH on 100,000 sq.ft.	GFA	\$90.41		9,290	\$839,909
25% CWH on 266,511 sq.ft.	GFA	\$22.60		24,760	\$559,638
Total Office Charge					\$1,399,547
Reduction from land-based charge					(\$333,583)
Incentive Discount					\$1,678,914



- Sub-Committee Resolution

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

10. Policy Items – cont'd

Apartments

- Current
 - Apartment threshold changed in the last by-law update from 750 sq. ft. to 650 sq. ft. to align with the Region
- Under Consideration
 - Examination of the current threshold with the possibility of aligning with the Region's current proposal – large apartments:- 700 sq. ft. or greater; small apartments:- <700 sq. ft.

10. Policy Items – cont'd

Municipality	Large Apartment	Small Apartment
City of Markham	>650 sq. ft.	≤650 sq. ft.
York Region ¹	>700 sq. ft.	≤700 sq. ft.
City of Vaughan	>650 sq. ft.	≤650 sq. ft.
Town of Richmond Hill	>650 sq. ft.	≤650 sq. ft.
Peel Region	>750 sq. ft.	≤750 sq. ft.
City of Brampton	>750 sq. ft.	≤750 sq. ft.
City of Mississauga	>700 sq. ft.	≤700 sq. ft.
City of Toronto	Two or more bedroom	One Bedroom and Smaller
Durham Region	Two or more bedroom	One Bedroom and Smaller
Town of Whitby	Two or more bedroom	One Bedroom and Smaller
City of Pickering	Two or more bedroom	Less than Two Bedrooms
Halton Region	Two or more bedroom	Less than Two Bedrooms
Town of Oakville	Two or more bedroom	One Bedroom and Smaller
Town of Milton	Two or more bedroom	One Bedroom and Smaller

1) Proposed. Increase from 650 sq. ft. from previous by-law

10. Policy Items – cont'd

Apartments – cont'd

- In the last Sub-Committee meeting it was requested that staff conduct a review on apartment units being constructed as well as consult the Region on their market analysis
- The objective of the review is to determine the delineation point between large and small apartments
 - Small apartment – Less than 2 bedrooms
 - Large apartment – 2 bedrooms and greater

10. Policy Items – cont'd

Apartments – cont'd

Data Sources

- Information linking the size of apartments with their design (1 or 2 bedrooms) and average occupancy is not available through one data source
 - *2011 Census* – Assists in the examination of the relationship between the number of bedrooms and occupancy
 - *Data from Past Developments* – Development industry provided staff and Hemson Consulting with information on unit sizes, designs and number of bedrooms for 3,465 units built in Markham over the past 5-7 years

10. Policy Items – cont'd

Apartments – cont'd

- An increase in the threshold to 700 sq. ft. will not impact the PPU for large or small apartments
- An increase to 750 sq. ft. or 800 sq. ft. will impact the PPUs and increase the charge for both small and large apartments

	650 sq. ft.		700 sq. ft.		750 sq. ft.		800 sq. ft.	
	PPU	Rate	PPU	Rate	PPU	Rate	PPU	Rate
Large Apartment	2.30	\$ 20,423	2.30	\$ 20,423	2.38	\$ 21,145	2.47	\$ 21,945
Small Apartment	1.69	\$ 15,015	1.69	\$ 15,015	1.75	\$ 15,548	1.80	\$ 15,992

- 700 sq. ft. threshold would be preferable as it captures 90% of apartment units in the correct category, aligns with the Region's policy, does not impact the charge and, incents affordable housing

10. Policy Items – cont'd

Apartments - Summary

- The threshold delineates the square footage where the predominant number of apartments fall
 - Hemson's analysis supports moving to a breakpoint between 700 and 750 sq. ft.
 - 700 sq. ft. results in a 90% capture of apartments with > & < 2 bedrooms
- Increasing the threshold to 750 sq. ft. or higher will result in an increase in the charge for both large and small apartments
- The 700 sq. ft. threshold aligns with the Region and other Regional municipalities may likely follow suit for consistency in application

Sub-Committee Resolution

Adopt the threshold of 700 sq. ft. to delineate large and small apartments

11. 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 Hard DCs to be charged for the first 100,000 sq. ft. of gross floor area, with a reduced charge of 25% City Wide Hard DCs on gross floor area exceeding the threshold
- 2) THAT staff be directed to adopt the threshold of 700 sq. ft. to delineate large and small apartments

12. Timelines

- Developer Consultation – First meeting held on May 16th
 - Further meetings through to August 2017
- Council Sub-Committee
 - Further meetings through to August 2017
- General Committee – June 6th and September 18th
- Finalize Study – September 2017
- Public Meeting – November 2017
- Council Approval – December 2017

QUESTIONS