



DEVELOPMENT CHARGES BACKGROUND STUDY UPDATE

General Committee
May 1, 2017



Agenda

1. Overview of Development Charge Act
2. Types of Development Charges
3. Calculation of Development Charges
4. Current Development Charges By-laws
5. Background Study Schedule
6. Council Sub-Committee/Developer Consultation
7. Development Charge Goals
8. Policy Decisions
9. Next Steps

Introduction – Development Charges Sub-Committee

- Members of the Sub-Committee are:
 - Councillor Logan Kanapathi (Chair)
 - Mayor Frank Scarpitti
 - Regional Councillor Nirmala Armstrong
 - Councillor Don Hamilton
 - Councillor Karen Rea
 - Councillor Amanda Collucci
- Meeting was held on March 21st, 2017

1. Overview of The Development Charges Act (DCA)

Video - *“The World of Development Charges – How We Pay for a Growing City”* will be shown here. See link below

<https://www.youtube.com/watch?v=Ss8Zeadkgwg>

1. Overview of The DCA (Cont'd)

- Residential development charges are generally charged on new housing units by type (i.e. single/semi-detached, townhouses/stacked townhouses and apartments)
- Non-residential development charges are generally charged on floor space (m²) and land area (hectares)
- The maintenance and replacement of facilities and infrastructure are funded through tax dollars, not development charges (DCs)

1. Overview of The DCA (Cont'd)

- Governed by the *Development Charges Act, 1997 (DCA)* and its accompanying Regulation, O. Reg. 82/98
- The maximum life of a DC By-law is 5 years from date of passage (may be repealed/replaced earlier)
- A Development Charges Background Study is prepared in tandem with new DC By-laws. The Background Study identifies infrastructure requirements (and costs) to support growth and DC rates are calculated through this process
- The Background Study includes an Asset Management Plan demonstrating that all assets funded by DCs are financially sustainable over their full life cycle *(Added through Bill 73 in January 2016)*

1. Overview of The DCA (Cont'd)

- Eligible growth-related services which can be funded 100% from development charges:
 - Water
 - Waste Water
 - Storm Water Drainage and Control
 - Roads and Related Works
 - Fire Protection
 - Public Works – e.g. Fleet, Works Yard
- Eligible Markham growth-related services that require 10% funding from non-DC sources (as it is deemed there is some benefit to existing taxpayers):
 - General Government – e.g. DC Background Studies
 - Library Services
 - Indoor Recreation
 - Park Development and Facilities – e.g. Soccer Fields
 - Waste Management (*Added through Bill 73*)

1. Overview of The DCA (Cont'd)

- Services that are excluded from DCs:
 - Cultural and entertainment facilities including museums, theatres, and art galleries
 - Tourism facilities including convention centres
 - Parkland acquisition including open spaces, woodlots and trails (except land for indoor recreation buildings)
 - Hospitals
 - Landfill sites and services
 - Facilities and services for the incineration of waste
 - Headquarters for general administration of municipalities and local boards

2. Types of Development Charges

- **City Wide Hard (CWH)** – infrastructure such as roads, bridges, sidewalks, intersections, illumination, property acquisition (roads), stormwater management, studies
- **Area Specific (ASDC)** – mainly for stormwater management and sanitary sewers services specific to a geographical area
- **City Wide Soft (CWS)** – services such as Indoor Recreation, Park Development, Fire, Libraries, Waste Management, Public Works, Parking and General Government (studies, staff/consultants)
- CWH and ASDC infrastructure requirements are prepared to 2031 (build-out)
- CWS Services are prepared over the planning period 2017-2026

3. Calculation of City Wide Hard Rates

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



3. Calculation of Area Specific Rates

Area Specific

- Charged to development within specific boundaries (20 By-Laws)
- Residential & Non-residential Charge – per hectare
- Area Specific Development Charge per hectare = expected Hard Infrastructure Cost/hectares to be developed

Calculation Example:

- \$3 million of expected Hard Infrastructure
- 10 hectares of land to be developed
- Area Specific Charge per hectare = $\$3 \text{ million} / 10 \text{ hectares} = \$300,000$



3. Calculation of Soft Services Rates

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

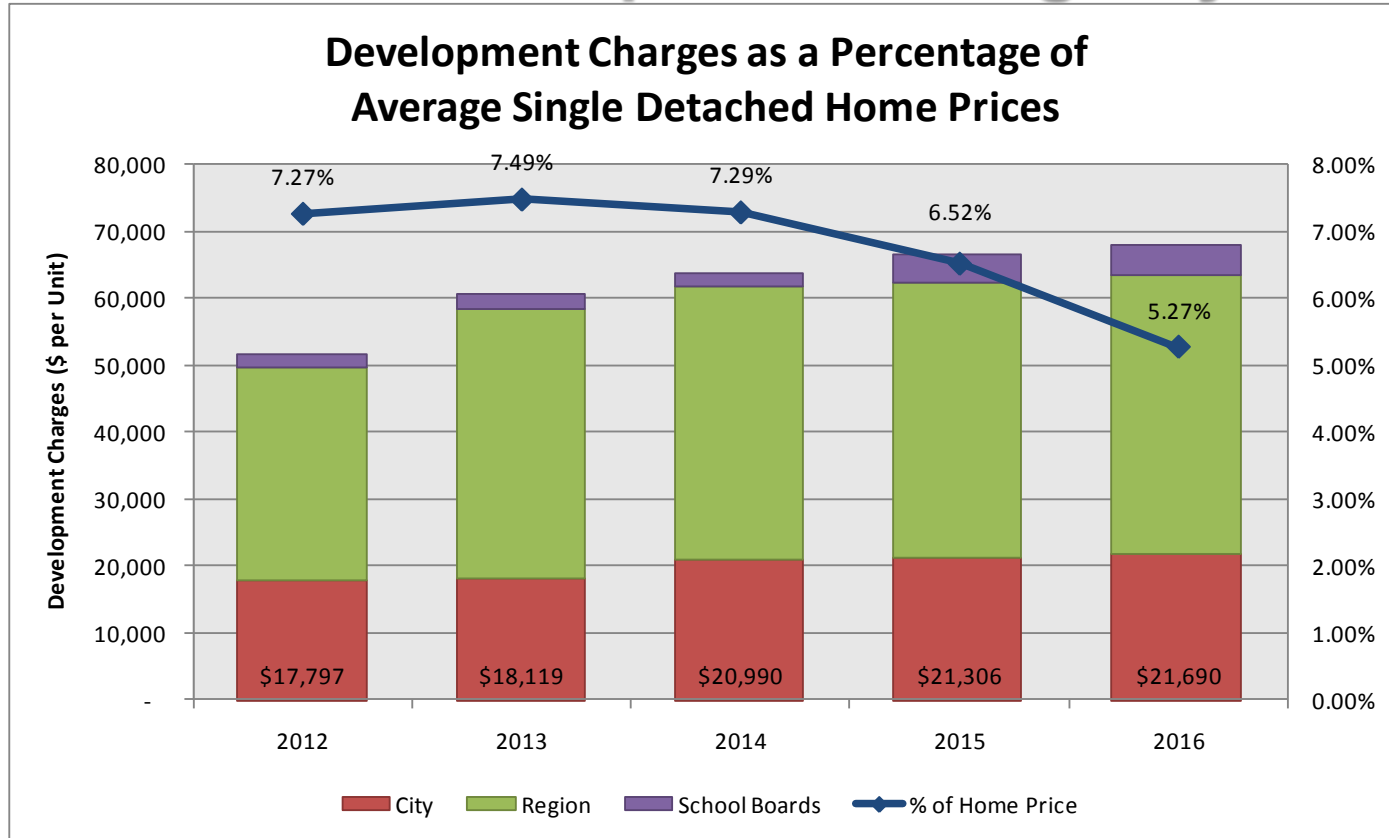
4. Current Development Charge By-laws

| RESIDENTIAL | Unit Based Rates (\$/unit) | | | |
|-------------------------|----------------------------|-----------------|-----------------|-----------------|
| | Single/Semi | Townhouse | Large Apt. | Small Apt. |
| City Wide Hard | \$10,797 | \$8,376 | \$7,088 | \$5,270 |
| City Wide Soft | \$11,592 | \$8,994 | \$7,609 | \$5,660 |
| York Region | \$42,637 | \$37,300 | \$26,414 | \$17,928 |
| Public School | \$5,416 | \$5,416 | \$5,416 | \$5,416 |
| Separate School | \$991 | \$991 | \$991 | \$991 |
| Total Unit Costs | \$71,433 | \$61,077 | \$47,518 | \$35,265 |

| NON-RESIDENTIAL | Land Based (\$/hectare) and GFA Based (\$/m ²) Rates | | | |
|--|--|------------------|---------------------|--------------------|
| | Industrial Office Institutional | Retail | Mixed Use Retail | Mixed Use Other |
| City Wide Hard (per net hectare) | \$235,858 | \$235,858 | \$235,858 | \$235,858 |
| City Wide Soft (per m ² GFA) | \$9.71 | \$10.51 | \$6.84 | \$6.84 |
| York Region (per m ² GFA) | \$218.72 | \$427.86 | \$427.86 | \$218.72 |
| Public School (per m ² GFA) | \$9.69 | \$9.69 | \$9.69 | \$9.69 |
| Separate School (per m ² GFA) | \$1.83 | \$1.83 | \$1.83 | \$1.83 |
| | \$239.95 | \$449.89 | \$446.22 | \$237.08 |



4. Current Development Charge By-laws



4. Current Development Charge By-laws

- Markham passed its City Wide Soft (CWS), City Wide Hard (CWH) and Area Specific Development Charge (ASDC) By-laws in May 2013
- Markham is required to pass new CWH, CWS, and ASDC By-laws by May 2018
- Staff have commenced the preparation of the DC Study for all the DC By-laws with completion projected by December 2017

5. Development Charge Update Schedule



Note:

A background study is required to be available to the public 60 days prior to the passage of a by-law; up from the former 20 day requirement (*Added through Bill 73*)

6. Council Sub-Committee/Developer Consultation

- In the November 2016 presentation, to align with past practice, staff requested that a Council Development Charge Sub-Committee be convened to:
 - Discuss the various policy updates
 - Review the preliminary data and charges
- Council Sub-Committee has commenced and will meet during the update process from March to August 2017.
- Developer Consultations will commence in May 2017 and are expected to continue until the enactment of the by-laws
 - First meeting is scheduled for May 16th, 2017

7. Development Charges Update Goals

- a) Recover Maximum Amount for Growth-Related Costs
- b) Promotion of Specific Development Types (e.g. offices)
- c) Streamlining Administration and Alignment with the Region

7. Development Charge Goals - cont'd

a) Recover maximum amount for growth-related costs

Service Level Expansion

- Changes under Bill 73 expanded the services eligible for development charges funding to include waste diversion
- Excludes landfill sites & services and facilities for the incineration of waste
- This allows the City to add an additional service to its DC recovery
- Fund growth-related cost for waste collection and diversion



7. Development Charge Goals - cont'd

a) Recover maximum amount for growth-related costs

Road Reconstruction

Issue

- Reconstruction and expansion of existing roads can be seen as having a benefit to the existing population which means utilizing non-DC funding for a portion of the cost
- Staff's view is that any expansion to create additional capacity on existing roads is due to growth that triggers an increased demand

Sub-Committee Resolution

That staff be directed to institute a policy where new roads/expansions to accommodate growth are funded 100% from DCs

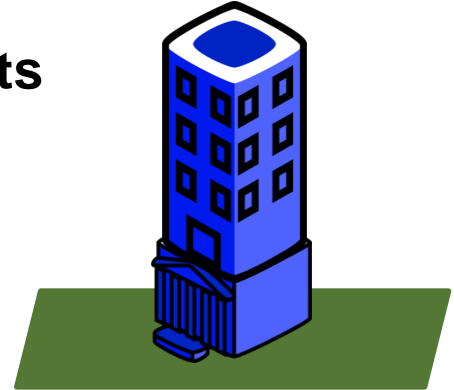
7. Development Charge Goals – cont'd

a) Recover maximum amount for growth-related costs

Non-residential Development/Redevelopment

Issue

- Non-residential CWH DCs is a land-based charge
 - If DCs are already paid, none are levied upon redevelopment
- Redevelopment and intensification of non-residential lands can result in the under recovery of CWH DCs
- Intensification which creates a need for more services may not pay their fair share
- All other municipalities in York Region levy Hard DCs based on GFA



Sub-Committee Resolution

That staff be directed to levy non-residential City Wide Hard Development Charges based on floor space (Gross Floor Area) rather than land area

7. Development Charge Goals - cont'd

b) Promotion of Specific Development Types

Differentiated Rates

- Current Policy

- The City first instituted differentiated rates for non-residential developments in 2009
- Reflects varying demand on services
- Non-residential Soft Charges:
 - Current Rates per m²: retail - \$10.51, industrial/office - \$9.71 and mixed use - \$6.84

Sub-Committee Resolution

That staff be directed to develop a GFA-based methodology that supports differentiated rates for CWH charges related to non-residential development

7. Development Charge Goals - cont'd

b) Promotion of Specific Development Types

Redevelopment Credit or Change in Use

- Current Policy

- Redevelopment credit for change in use is based on the initial charges paid on the original development

- Issue

- Redevelopment receives credits that are not consistent with prevailing rates
- Some redevelopment receive no credits despite contributing to existing services

Sub-Committee Resolution

That staff be directed to provide a credit for change-in-use based on the prevailing rates, consistent with York Region

7. Development Charge Goals - cont'd

c) Streamlining Administration and Aligning with the Region

Apartments

- Current Policy
 - Apartment threshold changed in the last by-law update from 750 sq. ft. to 650 sq. ft. to align with the Region
- Discussion took place at DC Sub-Committee on the staff recommendation that the City align with the Region's threshold – currently proposed at 700 sq. ft.
- Sub-Committee requested that staff conduct a review on apartment units being constructed as well as consult the Region on their market analysis
 - Staff will report back to Sub-Committee on a recommended threshold
- Resolution of Sub-committee will be reported at the next General Committee

8. 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 where new roads/expansions to accommodate growth are funded 100% from DCs
- 2) THAT staff be directed to levy non-residential City Wide Hard Development Charges based on floor space (Gross Floor Area) rather than land area
- 3) That staff be directed to develop a GFA-based methodology that supports differentiated rates for CWH charges related to non-residential development
- 4) That staff be directed to provide a credit for change-in-use based on the prevailing rates, consistent with York Region

9. Next Steps

- Council Sub-Committee – Next meeting on May 25th
 - Further meetings through to August 2017
- General Committee – June 6th and September 18th
- Developer Consultation – First meeting on May 16th
 - Further meetings through to August 2017
- Finalize Study – September 2017
- Public Meeting – November 2017
- Council Approval – December 2017

QUESTIONS