

Development Charges Update (Hard Services)

GENERAL COMMITTEE

April 21, 2008

Agenda

- Development Charge Review
- Policy Issues
- Response to Developers Issues
- Developers Presentations
- Policy Recommendations
- Next Steps
- Timelines

Development Charge Review

- The Town is faced with increasing expenses for capital works and property costs in excess of that projected in the 2004 Development Charges Background Study
- Despite the indexing of capital projects and property costs, tendered works continue to exceed the costs being recovered from Development Charges. It was therefore decided to update the Background Study
- New projects required for build-out of the urban boundary were not captured in the current Background Study
- The Town's Development Charges Reserves are being gradually eroded by these growth-related capital and property costs
- These higher expenses are attributed to the increased cost and scope of works from 2004 to 2008

Policy Issues

- The Development Charges Sub-Committee reviewed the rising costs and the following policy issues:
 - Local Services
 - Project Deferral
 - Redevelopment
 - Continuation of Development Charge Exemptions
 - Change calculation base
 - Reduction in the number of ASDC

Local Services

Issue

- The Town's practice has been to include the cost of local services in the area specific development charge when
 - the Town is undertaking to construct the work
 - a developers cost sharing agreement does not exist
- Section 2(5) of the *Development Charges Act, 1997* states "a development charge by-law may not impose development charges with respect to local services"

Local Service Definition

- A local service is the infrastructure required to develop a subdivision within the boundaries of the subdivision
- The infrastructure that the Town assumes when a subdivision is complete are local services

Committee Recommendation

- *Discontinue the inclusion of local services in the development charge*

Project Deferral

Issue

- In the preparation of previous development charge background studies, capital projects were eliminated, in consultation with the Developers, to reduce the development charge increase to a more acceptable level

Committee Recommendation

- *All capital projects should be included in the calculation of the development charge*

Redevelopment

Issue

- Current policy exempts land owners from paying development charges where redevelopment occurs
- The Province's mandate to intensify may require new infrastructure that the Town's current policies exempt from development charges

Committee Recommendation

- *Discontinue the exemption on expansions/additions to buildings where lot levies were previously paid*
- *The exemption/credit for redevelopment where a change of use exists be changed to provide a credit for an amount equal to the DC's originally paid (unindexed)*

Limited Exemption on Non-Residential Developments

Issue

- Council adopted in the 2004 DC By-laws an exemption under the following circumstances:
 - The property was being developed for non-residential purposes
 - The owner of the property was the same beneficial owner
 - The owner had paid lot levies prior to November 25, 1991
 - The owner made an application for exemption to the Treasurer prior to September 1, 2005
- Council also adopted that any exemption granted only be valid for the term of the by-law

Committee Recommendation

- *Council may consider the elimination of this exemption in the new by-laws*

Change in Calculation Base

Issue

- Inconsistency in the Development Charges
 - The Town Wide Hard residential development charge is calculated and charged on a per unit basis (ie. Single/Semi, Townhouse, Apartment)
 - The Town Wide Hard non residential development charge is calculated and charged on a per net hectare basis
 - The area specific development charge is calculated and charged on a per net hectare basis regardless of development type (residential or non residential)

Committee Recommendation

- *Defer review of this policy until the next Background Study*

Reduction in the Number of Area Specific Development Charges (ASDC)

Issue

- Area Specific by-laws apply to small defined areas and several service costs are included in the charge. Minor changes in infrastructure requirements and/or development assumptions can result in a potential financial risk to the Town, where a combination of reducing land areas and rising infrastructure costs may deter future development thereby resulting in the Town being unable to recoup expended costs

Committee Recommendation

- *Reduce the number of ASDC Areas resulting in:*
 - *The transfer of infrastructure costs for 3rd lanes (roads), intersection improvements/signals, illumination, watermains >300mm to Town Wide Hard*
 - *Local costs of approximately \$16M - \$18M being removed to be collected through Development Agreements*
 - *Approximately \$100M in capital costs being transferred to Town Wide Hard*
 - *Includes projects under credit agreements*
 - *12 - 15 ASDC areas being retained*

Rationale to Pursue the Reduction in the Number of ASDC's

- Streamlines capital costs
 - Standard services being transferred to TWH (3rd lane of roadway and watermain > 300mm etc.) can be linked to a Town Wide benefit and those relating to specific areas are allocated to ASDC's (similar to approach in other GTA municipalities)
- Centralizing collection of more DC's in the TWH reserve creates a larger pooled fund which can be more readily accessed for critical priority projects, rather than being constrained by lack of ASDC's collected under the current system
- Reduces the potential of finance charges increasing the infrastructure cost in ASDC's
- Increases efficiency in the calculation and levying of DC's
 - Reduced layers decreases complexity (internal & external)

Developer Issues

- Initial calculations were done using a growth forecast period to 2021. Developers suggested using a longer horizon in order to reflect full build-out of the Town within the current urban boundary
- The Town utilized 2001 census data to calculate the growth forecast. Developers suggested using the 2006 census data
- Relatively high cost of high density units
- Concern with the transfer of costs from ASDC's to TWH, specifically:
 - Service level equity (i.e. enhanced streetscapes)
 - The allocation of the reserve funds be based on the 2004 bylaws rather than the proposed 2008 costs
 - Treatment of credit agreements outstanding
 - Difficulty in administering current Developers Cost Sharing Agreements
- Limited exemption – Developer believes that lot levies paid and cost of servicing their lands and upgrades to Leslie Street intersections in 1988 should be recognized

Response to Developer Issues

- Growth forecast adjusted to 2031 to reflect full build-out within the current urban boundary, which corresponds to the Town's infrastructure plan. 6,900 housing units added
- The 2006 census data is now available and will be used to calculate the growth forecast
- The population per unit is now calculated using the 2006 census data and results in a shift of the cost away from high density units
- Service level equity will be addressed by retaining costs for increased services within Markham Centre (i.e. enhanced streetscapes - \$4M)
- Reserve fund allocation being calculated based on the 2004 bylaws

Response to Developer Issues

- Credit agreement and other claims related to works completed can be resolved after the passage of the bylaw
- Staff recommends that the Limited Exemption on Non-Residential Developments continue until August 31, 2009 to coincide with the natural expiry of the 2004 by-laws

Net impact of adjustments in the growth forecast:

- Population in new units increased from 78,296 to 86,461
- Housing units increased from 24,083 to 30,990
- Shift in costs from apartments to single family

Preliminary TWH Development Charges (Before & After ASDC Transfer)

Unit Types	Current (2004 Bylaw) Rate	Proposed (2008) Development Charge (before ASDC Transfer)	Proposed (2008) Development Charge (after ASDC Transfer)	Variance			
				2004 vs (2008) Before ASDC Transfer	2004 vs (2008) Before ASDC Transfer	2008 Before vs After ASDC Transfer	2008 Before vs After ASDC Transfer
<u>Residential</u>	<u>\$/ per unit</u>	<u>\$/ per unit</u>	<u>\$/ per unit</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Singles and Semis	3,252	5,713	7,708	2,461	76%	1,995	35%
Townhouses	2,554	4,486	6,052	1,932	76%	1,566	35%
Apartments - 2 Br & greater (Incl. 1 Br plus Den)	1,932	3,531	4,764	1,599	83%	1,233	35%
Apartments - Bachelor & 1 Br	1,383	2,122	2,862	739	53%	741	35%
<u>Non-Residential</u>	<u>\$/per ha</u>	<u>\$/per ha</u>	<u>\$/per ha</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Industrial/Office/Retail	81,007	136,823	184,601	55,816	69%	47,778	35%

2 Br Apt. charge Before 2004 Council Adjustment (Indexed to Jan '08)

Apartments - 2 Br & greater (Incl. 1 Br plus Den)	2,314	3,544	4,775	1,231	53%	1,230	35%
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Figures are preliminary and subject to change

Change in Development Charges Per Unit After Transfer of ASDC to TWH

Includes TWH, TWS and ASDC Charges

Town Residential Charges Per Unit for Single/Semi Detached Homes						
Area Specific		Current DC's (2004 bylaws)	(2008) DC's without ASDC Transfer	(2008) DC's with ASDC Transfer		
		Total DC	Total DC	Total DC	Variance	Variance
		\$	\$	\$	\$	%
Single/Semi-Detached	Area					
Buttonville North	3A	22,439	23,049	13,592	(9,457)	-41%
Armada	5	10,081	13,746	14,221	476	3%
Armada NE	7	10,980	14,444	14,410	(34)	0%
Milliken Mills	8	9,136	30,667	25,139	(5,529)	-18%
PD 1-7	9	26,753	44,988	43,498	(1,490)	-3%
Woodbine North	12	9,331	11,650	13,592	1,942	17%
Armada East	16	9,136	13,177	13,592	416	3%
Shouldice	21	11,718	13,982	13,592	(390)	-3%
Cornell	41	11,126	14,305	13,592	(713)	-5%
South Unionville	42A	19,422	14,379	17,525	3,146	22%
South Unionville - Helen Avenue	42A-1	40,764	56,895	58,890	1,995	4%
Greensborough	43	11,273	14,149	13,592	(557)	-4%
Rouge North East	44A	9,136	14,091	13,998	(93)	-1%
Box Grove	44B	11,685	19,013	13,592	(5,421)	-29%
Wesmer	45A	11,182	14,639	13,983	(656)	-4%
Berczy	45B	10,006	13,435	13,592	158	1%
Cathedral	46	11,441	13,779	13,968	189	1%
Angus Glen	47A	13,542	13,014	14,242	1,228	9%
York Downs	47B	11,580	13,750	15,014	1,264	9%

Figures are preliminary and subject to change

Change in Development Charges Per Unit After Transfer of ASDC to TWH

Includes TWH, TWS and ASDC Charges

Town Residential Charges Per Unit for 2+ Bedroom Apartments						
Area Specific		Current DC's (2004 bylaws)	(2008) DC's without ASDC Transfer	(2008) DC's with ASDC Transfer		
		Total DC	Total DC	Total DC	Variance	Variance
		\$	\$	\$	\$	%
<u>Apartments</u>	Area					
Markham Centre - Cox	42B-1	7,900	10,015	9,402	(613)	-6%
Markham Centre - Clegg	42B-2	7,160	9,845	9,402	(444)	-5%
Markham Centre - South Hwy 7	42B-6	8,197	13,025	12,400	(625)	-5%
Markham Centre - Remington	42B-7	6,868	9,244	9,402	158	2%
Markham Centre - Sciberras	42B-8	15,395	14,376	13,653	(723)	-5%
Markham Centre - East Precinct	42B-9	12,887	14,817	14,650	(167)	-1%

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Change in Development Charges Per Unit After Transfer of ASDC to TWH

Includes TWH, TWS and ASDC Charges

Town Residential Charges Per Unit for Townhouses						
Area Specific		Current DC's (2004 bylaws)	(2008) DC's without ASDC Transfer	(2008) DC's with ASDC Transfer		
		Total DC	Total DC	Total DC	Variance	Variance
		\$	\$	\$	\$	%
Townhouses	Area					
Buttonville North	3A	11,699	13,023	10,693	(2,329)	-18%
Armada	5	7,497	9,860	10,907	1,048	11%
Armada NE	7	7,803	10,097	10,972	875	9%
Milliken Mills	8	7,176	15,613	14,619	(994)	-6%
PD 1-7	9	13,166	20,482	20,861	380	2%
Woodbine North	12	7,242	9,147	10,693	1,546	17%
Armada East	16	7,176	9,666	10,693	1,027	11%
Shouldice	21	8,054	9,940	10,693	753	8%
Cornell	41	7,853	10,050	10,693	644	6%
South Unionville	42A	10,673	10,075	12,031	1,956	19%
South Unionville - Helen Avenue	42A-1	17,929	24,530	26,095	1,564	6%
Greensborough	43	7,903	9,997	10,693	697	7%
Rouge North East	44A	7,176	9,977	10,831	854	9%
Box Grove	44B	8,043	11,651	10,693	(957)	-8%
Wisper	45A	7,872	10,163	10,826	663	7%
Berczy	45B	7,472	9,754	10,693	940	10%
Cathedral	46	7,960	9,871	10,821	950	10%
Angus Glen	47A	8,674	9,611	10,914	1,304	14%
York Downs	47B	8,007	9,861	11,177	1,316	13%

Figures are preliminary and subject to change



DEVELOPERS PRESENTATIONS

Policy Recommendations

That council directs staff to prepare the Development Charge Background Study incorporating the following:

That local services be excluded from the calculation of development charges

And that all capital projects required for full build-out within the current urban boundary be included

And that the Limited Exemption on Non-Residential Developments continue until August 31, 2009 to coincide with the natural expiry of the 2004 by-laws - ASDC Bylaw No. 2004-225

And that the change in calculation base be considered in the next Development Charge Background Study

Policy Recommendations

And that the exemption on expansions/additions to buildings where lot levies were previously paid be discontinued

And that the exemption/credit where a change of use exists be amended to provide a credit for an amount equal to the development charges originally paid (unindexed)

And that the following services be transferred to Town Wide Hard (TWH) where appropriate: 3rd lanes (roads), intersection improvements/signals, illumination, watermains >300mm

Timelines

- *April 29th – Council Approval of General Committee Recommendations*
- *May 6th – Publish notice of Public Meeting*
- *May 6th – Background Study ready (must be no later than May 13th)*
- *May 27th – Public Meeting*
- *June 10th – Council Approval*