



August 21, 2019

City of Vaughan Comments Regarding Proposal:

- No. 019-0184 Re: Proposed changes to O.Reg. 82/98 under the Development Charges Act

The following principles guide the City's comments:

1. Growth should pay for growth and the mechanisms to permit cost recovery should capture the full cost of growth without adding financial and administrative burden that can result in slower provision of requisite infrastructure and services.
2. A full range of hard and soft services is needed to build complete and vibrant communities that benefit everyone, however the mix of these services is unique to each municipality. Any new funding regime must ensure that revenue is sufficiently generated to finance growth related costs for the full range of services, while providing municipalities with flexibility to develop policies to shape development to meet unique needs.
3. Efforts to reduce red tape should be shared by all levels of government. Overly prescriptive processes from the Province cost municipalities time and money and limits a municipality's ability to respond to changing circumstances.
4. Provincial legislation related to municipal governance should be enabling and permissive. Restrictive legislation places distrust in local authorities to make decisions in the best interest of its residents and businesses.

Proposal No. 019-0184 re: Proposed changes to O.Reg. 82/98 under the *Development Charges Act*

Transition

The Minister proposes that the specified date for municipalities to transition to community benefits is January 1, 2021. As of this date, municipalities would generally no longer be able to collect development charges for discounted services.

Meeting this proposed transition date will be challenging for municipalities as there remains many areas of uncertainty and unanswered questions regarding the new legislation and the proposed regulatory framework.

The City seeks clarification regarding the following items:

1. The timing of transition for the provision of frozen DC rates and DC deferral for certain types of development is not aligned to the passage of a new bylaw. Municipalities prepare their DC Background Study and financial plans based on information known to them. The changes from Bill 108 have significant cash flow and budget implications that require time to thoughtfully address the risks. It is essential that municipalities be allowed to maintain pre-bill practices until such time as a new DC by-law is passed to ensure that municipalities have sufficient cash flow to fund committed projects during the transition period.
2. Whether the negative balances in DC soft service reserve funds or debt issued in advance of DC collections can be rolled into the CBC charge.

3. The co-ordination between two-tiered municipalities to define and track applications that qualify for freezing and/or deferral. There are significant administrative process changes that will require investment in staffing and IT resources and time to update procedures.
4. The treatment of active applications, outstanding credit agreements, and phased developments.

The City recommends that:

1. The Province provide clarification on the above matters as early as possible to provide municipalities with the proper information needed to assess the financial impacts.
2. The Province consult with a diverse selection of municipalities on the draft regulations to ensure that the unique needs of municipalities across the Province are considered
3. That the freezing of DC rates and deferral of DCs for certain types of development should not be in effect until a new DC bylaw is passed.
4. The specified transition date be 18 months after the approval of the CBC caps or the expiry date of the current DC By-law, whichever is later.
5. Any negative balances be carried forward into the CBC calculation
6. Any active applications and outstanding credit agreements be grandfathered

Scope of Types of Development subject to Development Charge Deferral

Allowing development charge deferrals creates a disconnect between the timing and amount of growth-related costs and revenues recovered, and results in cash flow challenges. The unintended consequence is that municipalities are acting as a financing company and subsidizing development, which places a lot of risk to municipalities.

The City recommends that:

1. Regulation provide certainty that the types of developments eligible for DC deferral will retain that status over the life of the deferral period
2. Further criteria be added to the definitions of the types of development subject to DC deferral to ensure that the “spirit” of the legislation is maintained of providing more affordable housing (for example, that rental structures cannot be converted to condominium developments for 25 years unless specific licensing or legislative requirements are met).
3. There should be flexibility for up front or accelerated payment for these types of development to alleviate pressures on cashflow for municipalities and interest payments for developers.
4. Regulations should allow municipalities to establish mechanisms to facilitate the administration of deferral and mitigate the risk of late or uncollectible DCs i.e. securities, priority lien status; tax roll alone does not guarantee payment.
5. Regulations should specify the treatment of outstanding development charges in the event of a redevelopment or change in use that would trigger a recalculation of development charges.



Period of Time for which the Development Charge Freeze would be in place

The City seeks clarification on the following:

1. The definition of “application” and what constitutes council receiving an application.
2. The extent of changes in a development application that would be considered an amendment that resets the clock.
3. Treatment of applications under appeal, or zoning that is approved with a hold.
4. That the freeze is applied on the rate of the DC and not the total charge to be paid at time of building permit issuance. Between the time of application and ultimate building permit issuance, there may be significant changes in the proposed development.

The City recommends that:

1. The freeze should be applied on the rate of the development charge, not the total charge.
2. The timing of the freeze should begin from the date of site plan application instead of the date of approval to encourage developers to complete applications in a timely manner and mitigate against developers delaying construction after site plan approval. The issue is that there is no sunset clause between the application and approval in the proposed regulations.
3. The length of the DC rate freeze should be restricted to 6 months to a maximum of one year from the application date to provide certainty of revenue collection.
4. Language in the regulation clearly describe the conditions under which the clock on the freeze would reset

Interest Rate during Deferral and Freeze of Development Charges

The City supports the non-prescriptive nature for setting the interest rate.

Additional Dwelling Units

The City would like to seek clarification on the following to ensure that the intended outcomes are achieved:

1. The definition of “additional dwelling unit” that is exempt from DCs under this section, such as a size threshold that should be maintained to be considered a subsidiary of the main residence
2. What constitutes an ancillary building or structure where additional units are permitted

The City recommends that the Province provide municipalities with the flexibility to define the terms to fit within their local context.

Conclusion

Vaughan has a long history of working collaboratively with the development community to develop policies unique to City’s growth landscape that remove barriers and encourage growth



as directed in the Provincial growth plan.

Some of these policies include:

- Using area-specific development charges to better align growth-related revenues and expenditures
- Offering a package of transition measures to help smooth the financial impact to the development community from both the 2013 and the 2018 Development Charge Bylaws Update.
- Adopting a reasonable parkland policy for high-density developments in the Parkland Dedication Bylaw
- Using Community Improvement Plan as a planning tool to help achieve planning policies relating to higher density targets, attracting mixed land use, and supporting affordable housing.

It is the City's belief that municipalities have unique needs and that enabling and flexible Provincial legislation is the best way for municipalities to develop policies to meet these needs. Municipalities like Vaughan need the appropriate tools and flexibility to realize its fullest growth potential and to afford adequate service levels for our community.