



Memorandum

TO: Committee of the Whole
FROM: Bill Hughes, Commissioner of Finance
DATE: April 12, 2018
RE: **Development charge treatment of structured parking**

On March 22, 2018, Council held a public meeting to receive feedback on the proposed 2018 Development Charge Bylaw Amendment. The purpose of the amendment is two-fold:

1. To address Regional Council's direction to bring back a proposed bylaw amendment to add all 56 road projects from 'Part B' of Contingency Schedule G to the rate calculation
2. To review the development charge treatment of parking structures (including any associated sections in the Bylaw)

At the public meeting, Committee received four communications in support of the 2018 Development Charge Bylaw amendment, including letters of support from both road project appellants to the 2017 Development Charge Bylaw. It also heard deputations from three stakeholders: two supported the addition of the 56 road projects to the development charge rate calculation, while the other raised concerns with the development charge treatment of structured parking.

At the public meeting on March 22, 2018, Committee asked staff to revisit the treatment of structured parking

During the public meeting Committee asked staff to consider additional changes to the treatment of structured parking in the amending Bylaw. Specifically, Committee requested that staff consider amending the Bylaw such that "open air" vehicle storage facilities be exempt from development charges.

The 2018 Development Charge Bylaw amendment proposes to change the treatment of structured parking

During the consultation process leading up to the passing of the 2017 Development Charge Bylaw, some stakeholders expressed concerns with the development charge treatment of structured parking within, or accessory to, retail motor vehicle establishments (e.g., car dealerships and repair shops). The Region also received two appeals of the 2017 Development Charge Bylaw relating to these matters.

The proposed 2018 Bylaw Amendment responds to these concerns. Specifically, three changes were proposed:

- Amend the Bylaw to levy the industrial/office/institutional rate on standalone structures used for vehicle storage, recognizing the warehousing nature of these structures
- Strengthen the Bylaw to treat all areas within a retail motor vehicle establishment as retail
- Amend the Bylaw to levy a blended rate for retail motor vehicle establishments with 'significant' storage areas, recognizing the warehousing nature of storage areas and that some of that area can be converted to retail at a later time

These proposed amendments were discussed in the February 15th Council report that accompanied the tabling of the draft 2018 Development Charge Background Study. The proposed changes aim to strike a balance between recognizing the warehousing nature of the areas required for vehicle storage, and the tendency for these areas to evolve into other retail uses (e.g., car servicing, showroom etc.).

In addition to the proposed changes listed above, the proposed amended Bylaw also clarifies that structured parking accessory to shopping malls and hotels is exempt from development charges, bringing treatment of shopping mall accessory parking in line with all other accessory use parking structures¹.

The proposed changes in treatment represent substantial savings to developers wishing to construct structured parking to store vehicles

Under the proposed Bylaw, a developer wishing to construct a standalone motor vehicle storage facility would pay the Industrial/Office/Institutional rate, instead of the retail rate. At the proposed 2018 Bylaw rates, this represents nearly \$30 per square foot² in savings, or roughly 59 per cent less than the treatment under the 2017 Development Charge Bylaw.

¹ Note: Additional details can be found in the [Draft 2018 Development Charge Background Study and Proposed Draft Bylaw Amendment](#) (February 15, 2018 Council report, Draft Background Study - Chapter 6 and Bylaw)

² Note: A standalone facility would be charged the Industrial/Office/Institutional rate, which is proposed to be \$21.19/sqft compared to the Retail rate of \$51.12/sqft.

For retail motor vehicle establishments (e.g., car dealerships and repair shops) with ‘significant’ storage, the proposed blended treatment also results in considerable savings.

Table 1
Comparison of treatment for retail motor vehicle establishment with significant storage areas

Example: Retail motor vehicle establishment with a total development charge-eligible gross floor area of 40,000 square feet and vehicle storage area of 30,000 square feet.

	2017 Development Charge Bylaw treatment – retail rate	2018 Development Charge Bylaw Amendment treatment – blended rate	Difference	Change (%)
Regional development charges owed*	\$2,044,800	\$1,446,200**	-\$598,600	-29
Per square foot Regional development charge	\$51.12	\$36.16	-\$14.97	-29

*Note: The vehicle storage area is more than twice the size of areas not used for storage. The vehicle storage area is considered to be ‘significant’. Rates used are the proposed development charge rates under the 2018 Development Charge Bylaw amendment (Retail = \$51.12, Industrial/Office/Institutional = \$21.19).

**Note: Formula is $(\$51.12 * 20,000 \text{sqft.}) + (\$21.19 * 20,000 \text{sqft.})$.

The 2018 Development Charge Bylaw amendment also provides that employee and customer parking in retail motor vehicle establishments and standalone motor vehicle storage facilities would be exempt from development charges

The Bylaw amendment proposes that an exemption be granted to exclude the sum of the areas used for customer and employee motor vehicles in retail motor vehicle establishments and standalone motor vehicle storage facilities.

Local municipal standards for required customer and employee parking shall be used in determining the number of spaces, and associated gross floor area, eligible for the exemption. An example of parking requirements required under a local municipal zoning bylaw is provided in Table 2.

Table 2
Parking Requirements: City of Vaughan*

Type of establishment	Parking space requirements (per 100 square metres of gross floor area)
Automobile service station/Autobody repair garage	4.5 plus 1 parking space for each vehicle kept for sale
Automobile retail store	6
Car brokerage	3
Motor vehicle sales establishments	3
Warehousing (single use)	1

Source: [The Corporation of the City of Vaughan, Bylaw Number 1-88: "The Comprehensive Zoning Bylaw"](#)

*Note: Different parking requirements exist in the Vaughan Metropolitan Centre and Carrville Centre (as defined by the Bylaw).

The Region’s neighboring upper-tier and single-tier municipalities do not levy development charges on parking spaces in retail motor vehicle establishments

Currently, none of the Region’s neighbouring upper-tier and single tier municipalities levy development charges on structured parking/parking spaces in or accessory to car dealerships. The development charge bylaws from the Region’s neighboring municipalities do not consider whether those spaces will be used for employee or customer parking storage or for a retail use such as storage of merchandise or car servicing.

Staff from two of these neighbouring municipalities indicated they intend to review this exemption during the next update of their respective Bylaws. In the City of Toronto, while all parking spaces are exempt from development charges, as part of their 2018 development charge bylaw review the City is proposing to eliminate some of their broader development charge exemptions (e.g., Imagination, Manufacturing, Innovation and Technology (IMIT) program).

Approximately half of the car dealership locations are within the Regional Centres and Corridors

According to property tax data provided by the Municipal Property Assessment Corporation, just over half of the car dealership locations currently on the tax roll are within the Regional Centres and Corridors. Furthermore, approximately 82 per cent of the municipal addresses identified as car dealerships are located in Markham, Newmarket, Richmond Hill and Vaughan.

Since 2006, 53 new car dealerships were built in the Region

In the past, the Region has consistently levied the retail rate on car dealerships. Between 2006 and 2017 the Region collected approximately \$23 million in development charges from car dealerships.

Since 2006, there have been, on average, five new car dealerships built every year. While the average car dealership in the Region is about 30,000 square feet, there are some as large as 80,000 square feet to 100,000 square feet.

Between 2005 and 2016, five new car dealerships were built with structured parking, and four of those were built within the last five years. The move toward interior storage is likely due to the following:

- availability and cost of land
- business model of the car manufacturer, including the need to better secure and maintain their vehicles

Structured parking used to store vehicles for sale lease or servicing can be used for other retail functions

Development charges are assessed and paid at building permit issuance. While the initial use for structured parking in retail motor vehicle establishments may be for vehicle storage, recent experience has shown that these areas evolve over time to other functions such as service bays, detailing, and showrooms. These functions, all retail in nature and supportive of the car dealership's business model, require greater use of infrastructure services.

The Committee's request could be addressed through a development charge deferral policy for qualified "open air" vehicle storage facilities

In response to Committee's request, staff are proposing to devise a development charge deferral policy, which would allow developers of qualified "open air" vehicle storage facilities to defer development charges payable until such time as the structure becomes enclosed (at which time the deferred development charges shall be payable). This policy means that no development charges would be collected on qualified "open air" vehicle storage facilities.

The premise behind the deferral is to encourage more compact development, thereby making better use of land. In addition, staff anticipate that due to the lack of climate control, open air vehicle storage areas are less likely to be used for other retail uses such as detailing, servicing and show rooms compared to their enclosed counterparts.

As with other Regional development charge deferral policies, Council can make amendments without having to amend or update the Development Charge Bylaw.

Staff will work with local municipalities and developers to devise the details of this deferral policy. It is expected that this policy will be brought to Council for consideration of approval in May, accompanying the 2018 Development Charge Bylaw amendment

and background study. While specific details of the policy are still under development, some of the options being considered are summarized in Table 3 below.

Table 3
Preliminary options for a policy to defer development charges for qualified “open air” vehicle storage facilities*

Area	Preliminary options	Considerations
Type of structure	Open air structure - stand-alone	Open air structures are less likely to be converted to other uses (e.g., show room floor)
	Open air structure - attached to another structure	
Conversion and/or new builds?	Conversions of pre-existing surface parking to open air vehicle storage facilities	Encourages compact development
	New open air vehicle storage facilities	Frees up existing land for other higher order uses (e.g., office)
Applicable locations	Regional Centres and Corridors	Should the policy be more or less restrictive?
	Local Centres and Corridors	
	Regional and Local Centres and Corridors	Do we want to encourage this type of development in all areas in the Region?
	Entire Region	
Interest charged	Optional	While the <i>Development Charges Act, 1997</i> (the “Act”) allows for interest to be charged, the Region has not charged interest on deferrals in the past, and none of the Region’s current development charge deferral policies charge interest

*Note: It is expected that all legal fees of the developer(s) and the Region associated with the deferral agreement (including all required covenants and agreements) shall be borne by the developer. It is also expected that local municipal participation will be required to ensure alignment of Regional and local policy.

This proposed deferral policy would differ from those the Region currently offers

This proposed deferral policy differs from the ones that the Region currently offers in a number of significant ways:

1. Deferral programs for for-profit entities are typically time limited, and in most cases require a letter of credit as security. For example, currently, retail developers like car dealerships can defer development charges for three years, with payments deducted from a letter of credit in three equal annual installments.
2. Deferral agreements that do not have a prescribed timeframe, like what’s being proposed here, are typically for non-profit entities or community groups

Since there is no prescribed timeframe for repayment of the development charges (with the trigger for payment proposed to be conversion to “enclosed” structure), it is possible the Region will never realize those revenues. As a result, this deferral could have the same financial impact as an exemption.

A preliminary analysis suggests that deferring qualified “open air” vehicle storage facilities could result in approximately \$1.3 million per year in deferred development charge revenues (based on 2018 development charge rates). This assumes that the Region adds approximately one retail motor vehicle establishments with open air vehicle storage facility, and one standalone “open air” vehicle storage facility per year. Because this proposed deferral does not have a prescribed timeframe, it is likely that the Region would be unable to recoup the deferred revenue.

Staff recommend proceeding with the proposed 2018 Development Charge Bylaw amendment

The 2018 Development Charge Bylaw amendment was tabled with Council in February 2018. The publication of the background study began the statutory timelines and requirements a municipality must meet, as prescribed by the *Act* to pass a development charge bylaw. While changes can be made to a development charge bylaw subsequent to receiving feedback from the public meeting, substantive changes are not encouraged. Staff recommend proceeding with the proposed 2018 Development Charge Bylaw amendment in May.

Bill Hughes

Commissioner of Finance

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