

**Development Charges – Financial Impact of 2011
Amendment to Provide Reductions for Conversion of
Industrial Lands**

Date:	June 13, 2013
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2013\Internal Services\Cf\Ec13010cf (AFS#14826)

SUMMARY

This report responds to a request by Council for a report on the financial impact of a Development Charge By-law amendment relating to the conversion of certain types of non-residential floor space, primarily industrial, to other non-residential uses.

Under the City's Development Charge By-law (275-2009) certain non-residential uses, such as industrial, hospitals, colleges/universities, public schools and places of worship, are exempt from development charges. Prior to the amendment (By-law 1228-2011), redevelopment of such uses, even through interior alterations, to other non-residential uses was subject to the payment of development charges. The amendment provided a development charge reduction for redevelopment through interior alterations of such uses to other non-residential uses, and therefore represented a reduction in development charge revenues for the City. Based on data for 2012, while aggregate development charge revenues were almost \$150 million (non-residential share \$13.2 million), the revenue foregone as a result of the amendment amounted to approximately \$1.71 million.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council receive this report for information.

Financial Impact

There is no financial impact from the adoption of this report.

DECISION HISTORY

At its meeting on October 24 and 25, 2011, Council amended the City's Development Charge By-law (275-2009) and directed staff to report on the financial impact of the amendment (By-law 1228-2011) at the end of 2012. Staff reports relating to the amendment and the Council decision document are available at the following links:

<http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-41179.pdf>

<http://www.toronto.ca/legdocs/mmis/2011/cc/bgrd/backgroundfile-41917.pdf>

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=4421> (item EX11.1)

ISSUE BACKGROUND

Prior to the amendment in October 2011, conversion of certain non-residential, primarily industrial, floor space to other non-residential uses required the payment of development charges, even if no additional floor area was created. As a result of the amendment (By-law 1228-2011), conversions of this type of space through interior alterations to other non-residential uses were made eligible for a redevelopment reduction. The amendment would therefore lead to a reduction in development charge revenues for the City.

COMMENTS

The amendment affects a specific type of non-residential development – the redevelopment through interior alterations of development charge-exempt uses, primarily industrial floor area, to other non-residential uses. In recommending the amendment, staff had argued the economic benefits of re-purposing such idle and/or vacant space through interior alterations. Further, since residential development has, historically, accounted for over 90% of development charge revenues at the City, the amendment was likely to have a very limited impact on total development charge collections. Revenues foregone in 2012 as a result of the amendment are estimated to be \$1.71 million, while total development charge revenues in 2012 amounted to almost \$150 million. The foregone revenues represent just over 1% of total development charges revenues, and

about 13% of non-residential development charges. While the City has foregone one-time development charge revenues, the amendment has allowed for the floor space to be preserved for employment uses with consequential annual on-going future tax revenue.

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SIGNATURE

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