# City of Toronto: Growth Funding Tools

Stakeholder Workshop

January 11, 2022

*Today's session will be recorded for internal purposes only.*

# Land acknowledgement


We acknowledge the land we are meeting on is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit.



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# Today's agenda

1. About the project
2. Growth funding tools update
   1. Development Charges
   2. Parkland Dedication
   3. Community Benefit Charges
3. Questions & Answers
4. Facilitated discussion
5. Wrap up and next steps

# Purpose of today's session


Image: spacing.ca

- Share information about the project, including technical updates
- Hear your feedback
- Create space for different perspectives to be shared
- Answer your questions



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# About the project

# Why are we here?

## Provincial Bill 108 & Bill 197

- Legislation made changes to the *Development Charges Act* and *Planning Act*, which **impact municipal growth funding**
- The City must now **update the relevant bylaws**
- Studies and bylaws will be presented to Committee in **Q1 2022** for a public meeting and Council in **Q2 2022** for approval



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# The Growth Funding Tools

**Fees paid by new development at the time of building permit**

**Use to pay for growth related infrastructure and services**

## 1. Development Charges

- Supports the expansion of a range of services including affordable housing, childcare, transit, water, roads, rec facilities etc.
- Imposed on res and non-res development
- Capped based on historic service levels
- Cost recovery

## 2. Alternate Parkland Dedication

- Supports the expansion and improvement of the parks system and the funding of recreational facilities.
- Imposed on residential development only

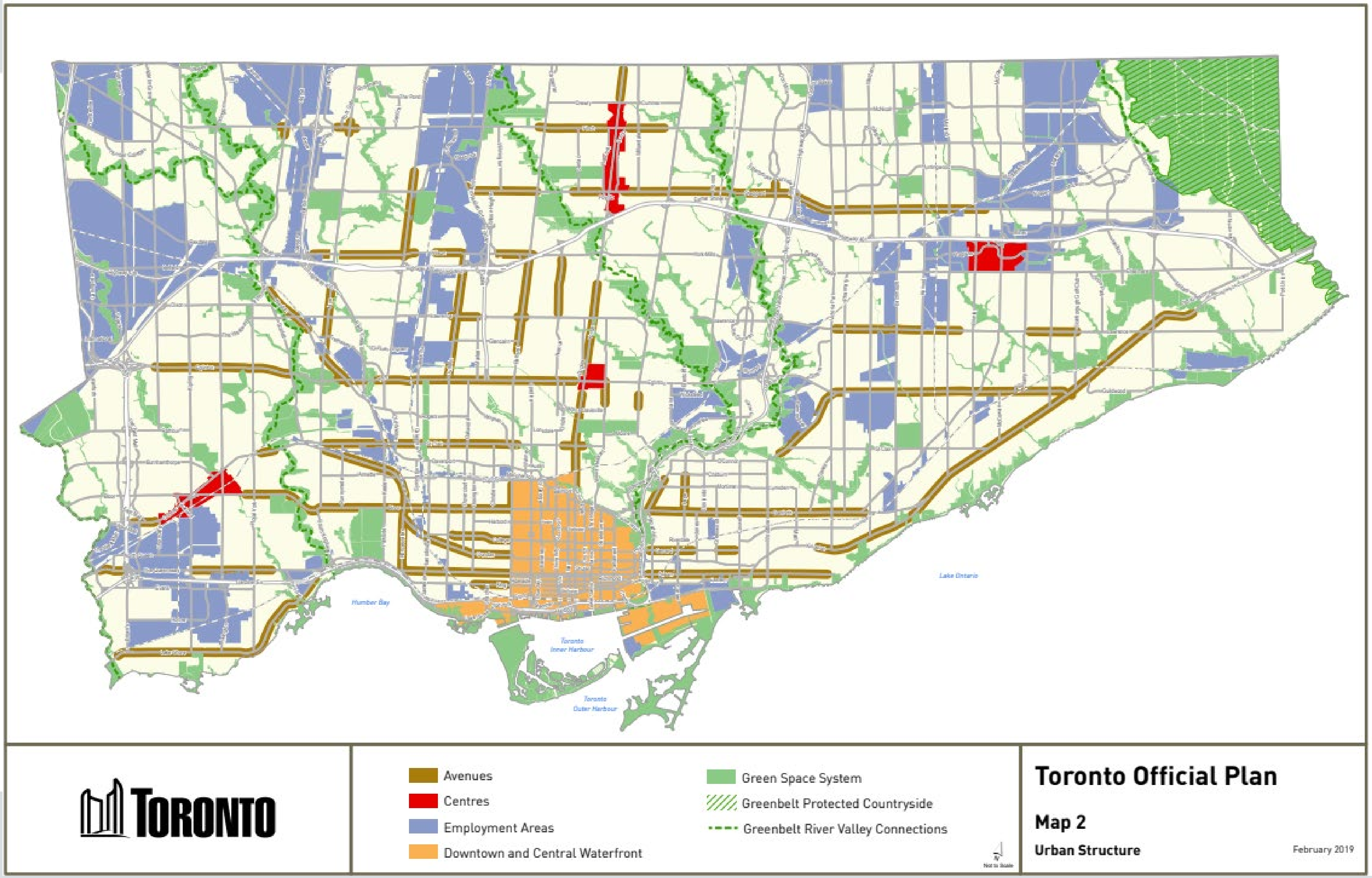
## 3. Community Benefits Charges (new)

- Supports the expansion of range of services, such as public art, parks, libraries, etc. as long as no overlap with DC and Alt Park
- Imposed on development with five+ stories and 10+ residential units
- Capped at 4 % of land value

# Our growing city

- Fastest growing City in North America
- 20% population increase over the next 30 years
  - 3.65 million people by 2051
  - Adding about 700,000 more people.
- More infrastructure and services will be required for this population growth, which requires more funds.
- Growth funding tools are a significant source of growth funding.

# City’s Urban Structure



# Desired outcomes

Complete communities

Growth pays for growth

Revenue neutrality

# What is a complete community?


Visit toronto.ca/growthfundingtools

# How will we pay for growth?

## 2021 City Tax and Rate Budget

- **$13.95 B** Operating Budget
- **$44.70 B** 10 Year Capital Budget

## Growth Funding Tools

- Growth Funding Tools generate approximately **$750 M annually**
- Funds growth-related capital

| New Development | Municipal Services & Infrastructure |
|---|---|
| Growth Funding Tools | Other Funding Sources (e.g. property tax) |



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# Growth Funding Tools Engagement Timeline

**Spring – Summer 2021**

- Project launch
- Technical studies (data collection/analysis)
- Bill 197 & Work Plan report
- Industry engagement sessions begin

**Fall 2021**

- Draft technical studies materials released for review
- Public, stakeholder & industry information sessions, workshops, meetings & engagement sessions

**Winter 2022**

- Draft studies and policies
- Additional stakeholder engagement

**Spring 2022**

- Statutory public meeting at Executive Committee (Technical Studies and proposed bylaws)
- Final Report to Executive Committee and Council

**Summer – Fall 2022**

- Implementation and adoption

# Development Charges

# What are Development Charges?

- A one-time fee collected as a condition of new development
- Pay for growth costs: new municipal capital projects, which are construction or purchases of major city assets like parks or water mains
- Charges are calculated through a study of the costs of the new project
- Residential and non-residential charge



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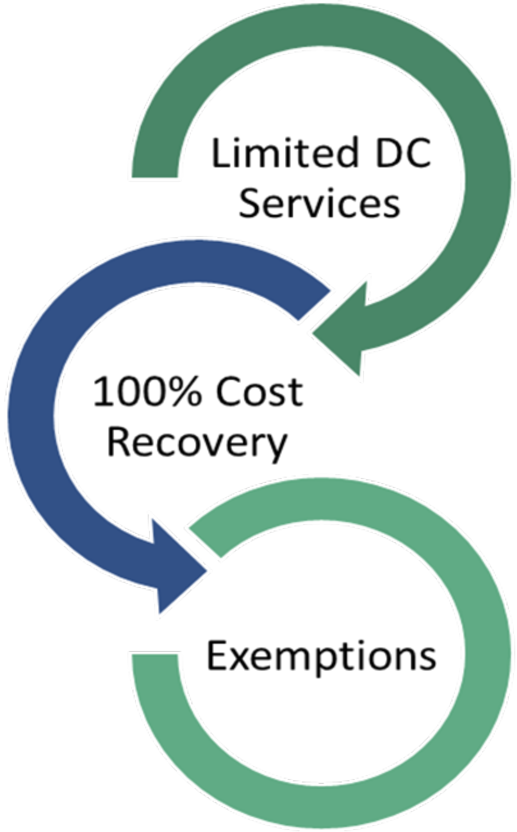
# How have Development Charges changed?

## Legislative changes




## Eligible “hard” services

- Wastewater
- Water supply services
- Storm water management
- Roads
- Transit
- Waste diversion
- Electrical power services

## Eligible “soft” services

- Policing services
- Fire protection
- Ambulance services
- Public libraries
- Child care
- Shelters and housing
- Long-term care
- Park improvements and recreation services
- Court services
- Public health
- Emergency preparedness



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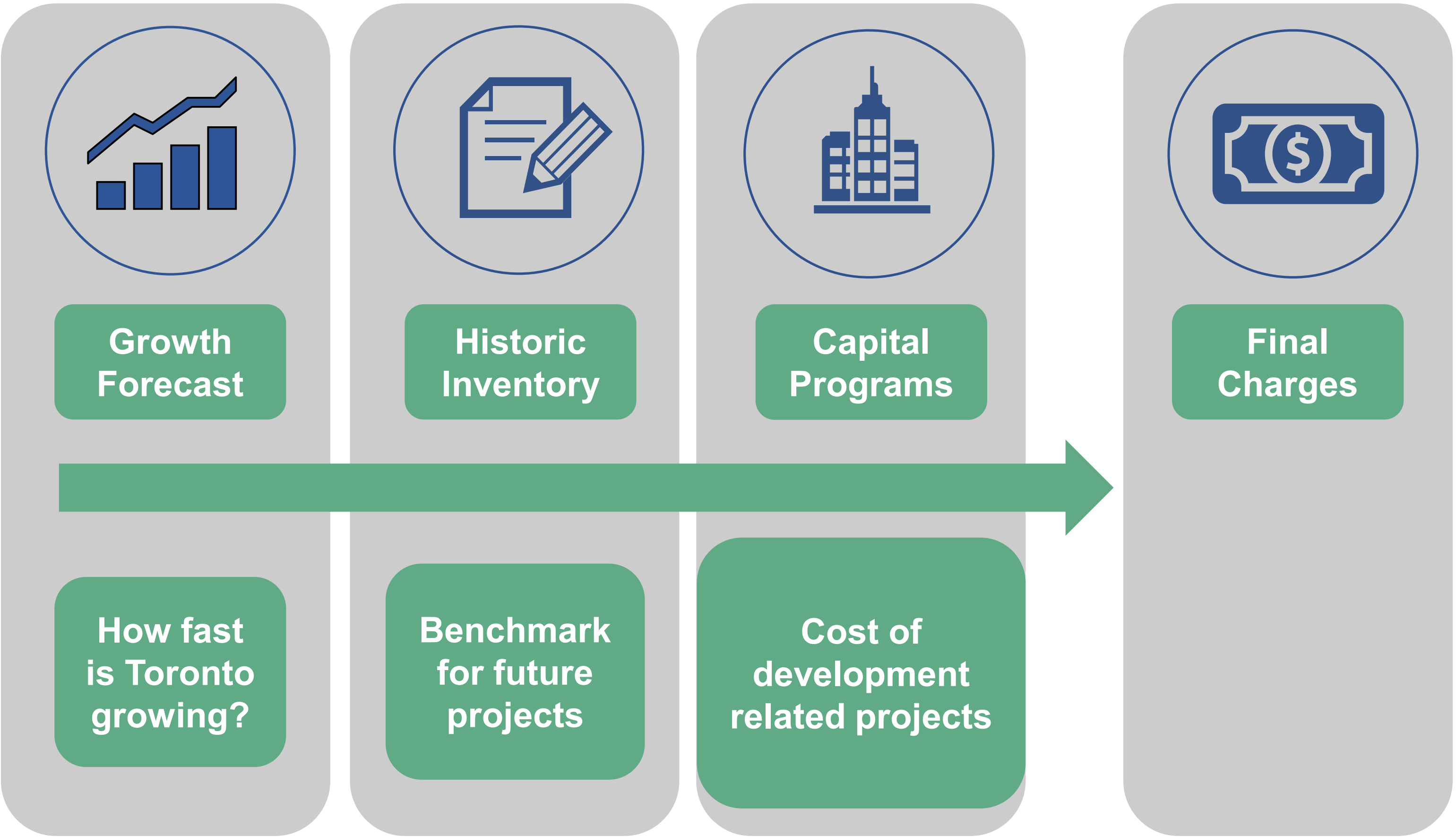
# Steps to calculate Development Charges

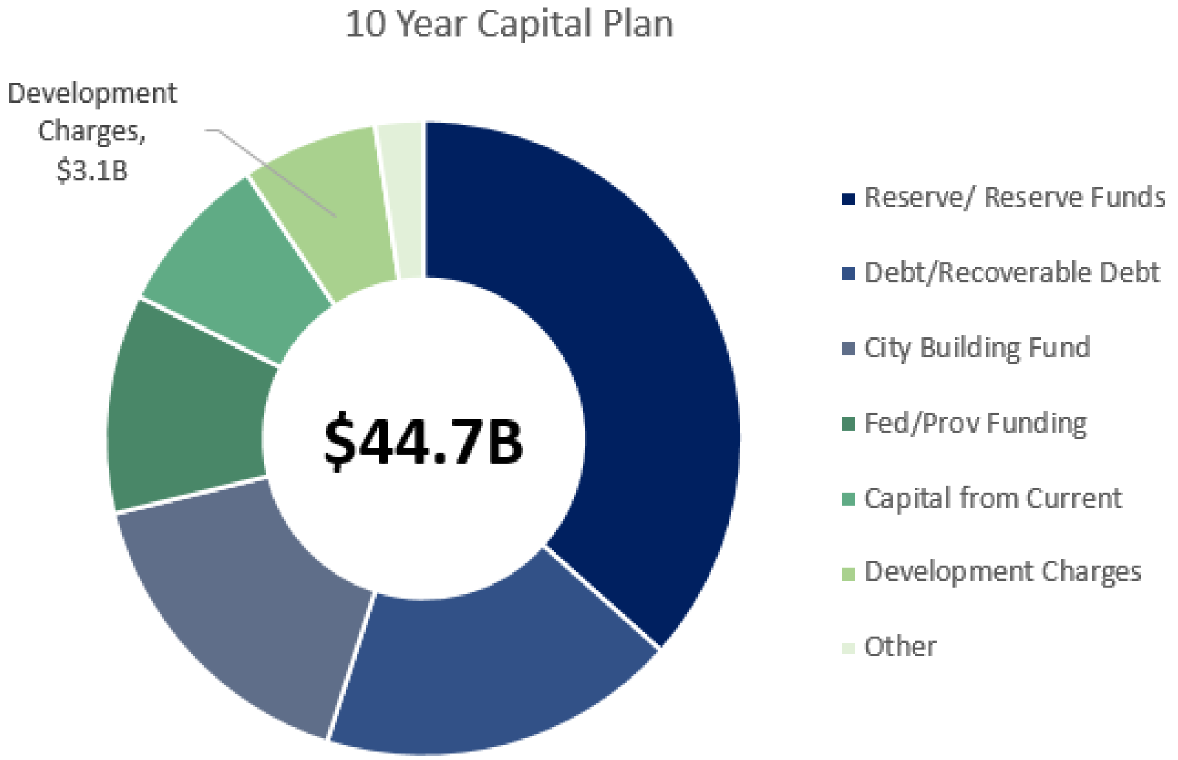


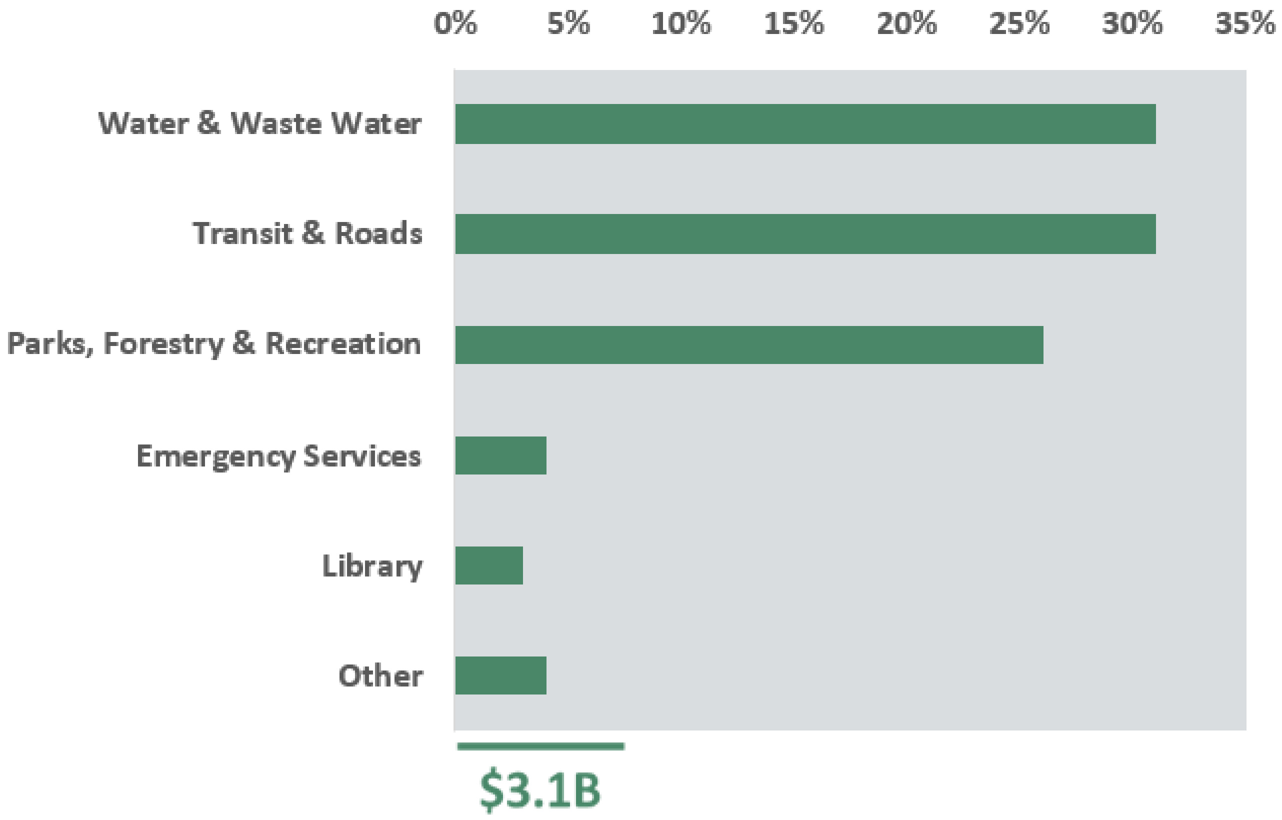

**What we need to know:**

1. How many new people will be added to the city?
2. What is the replacement cost of existing stock of municipal assets?
3. What projects are we building in the coming years to serve new growth?

With these steps, we can calculate the final charges.

# How does the City use Development Charges?



# Current Challenges

Legislative Challenges:

- Historic Service level restrictions
- Ineligible Services & Costs
- Statutory exemptions & deferrals

Funding Related:

- Exemptions require growth funding to be discounted
- Growth costs not covered by DCs must be funded from other sources (e.g. tax, user rates, capital reserves)

# Parkland Dedication

# Parkland Dedication

- City can require development projects to dedicate a part of their sites towards public parks, authorized by **Section 42 of the *Planning Act.***
- City may also require **cash-in-lieu of parkland**, which can be used to purchase new parks or improve existing parks and recreation facilities
- The *Planning Act* sets out a "**base rate**" and allows a city to establish an "**alternative rate**" for parkland dedication.
- An "alternative rate" can be more responsive to **demand for parkland in high growth urban areas** where high density development is proposed on small sites.
- The "alternative rate" must be supported by a **parks plan (the Parkland Strategy)** that examines parkland need.



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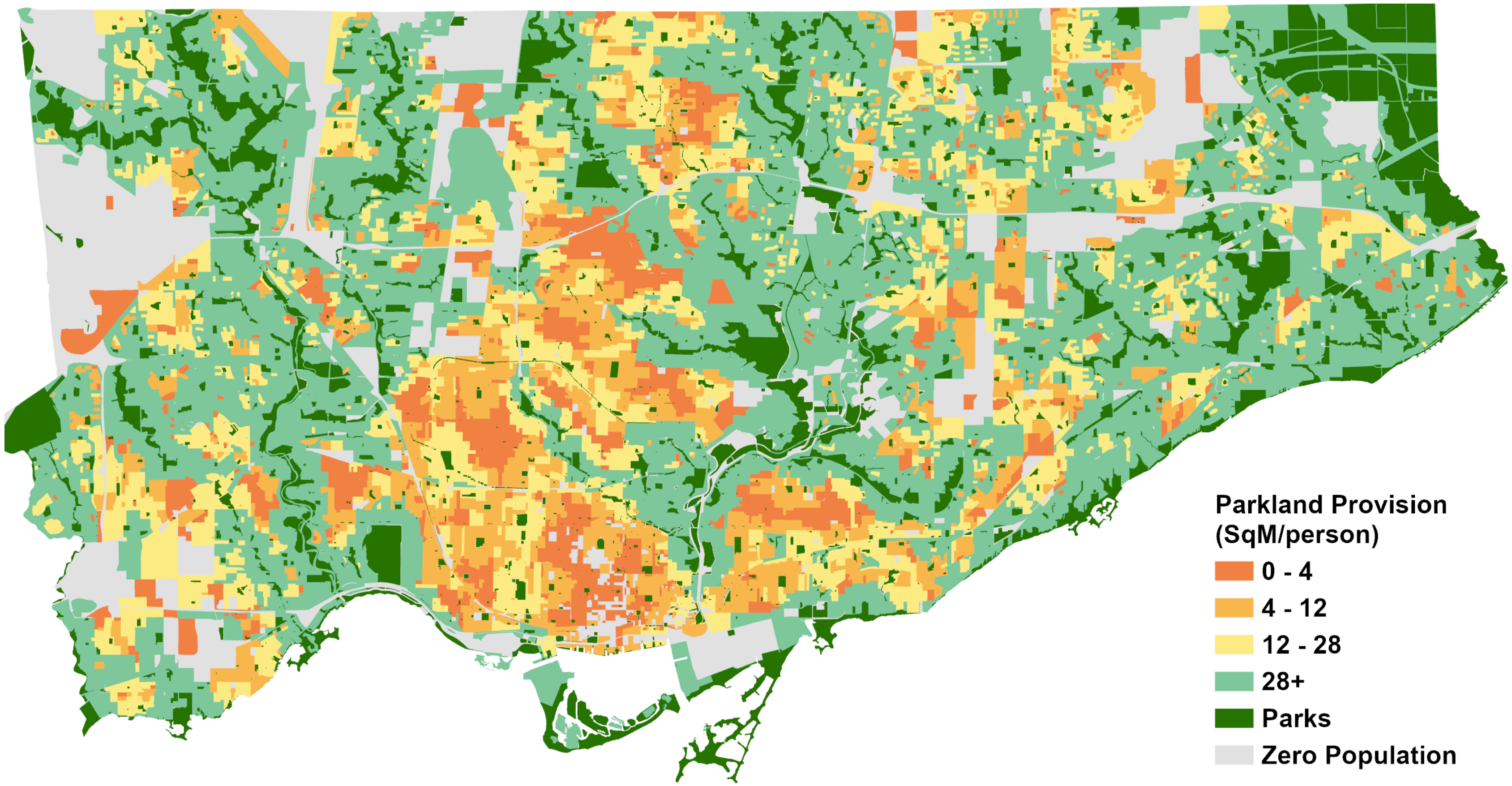
# The Parkland Strategy




**Toronto Parkland Provision – 2021**

## Highlights

- **1,500+** parks
- **13%** of Toronto's land area
- **28 m²/ person:** average city-wide parkland provision in 2021
- **15 m²/ person**– average city-wide parkland provision in 2021 *excluding ravines*
- **10%** – Decline in city-wide parkland provision by 2034 without park system expansion

# Toronto's Alternative Rate

- Toronto's current alternative rate was established in 2008 and is found in the Official Plan
- Rate of **0.4 hectares per 300 dwelling units** for both land dedication and cash-in-lieu applies to sites within a defined **parkland acquisition priority area**.
- Parkland dedication is **capped based on site size**:
  - 10 % of the land value for sites < 1 hectare
  - 15 % of the land value for sites between 1 to 5 hectares
  - 20 % of the land value for sites > 5 hectares
- Toronto's alternative rate is **below the allowable maximum** (defined in the Planning Act)
- Current **exemptions to parkland dedication** include non-profit housing, replacement units, long term care homes, public schools and universities, and industrial uses, among others.

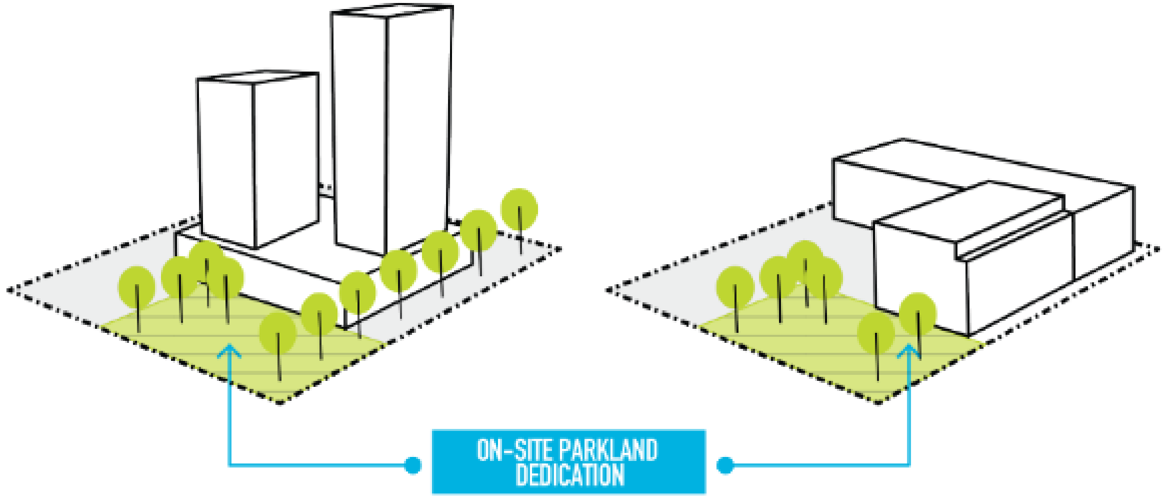
**Note: 90%+ of sites are less than one hectare**

# Current Challenges: On-site Dedication

- The current alternative parkland dedication rate is **based on site size** rather than the **number of new residents**. It does not scale with density.

- Most new developments occur on small sites, typically less than 0.5 hectares, resulting in a 10% dedication cap.

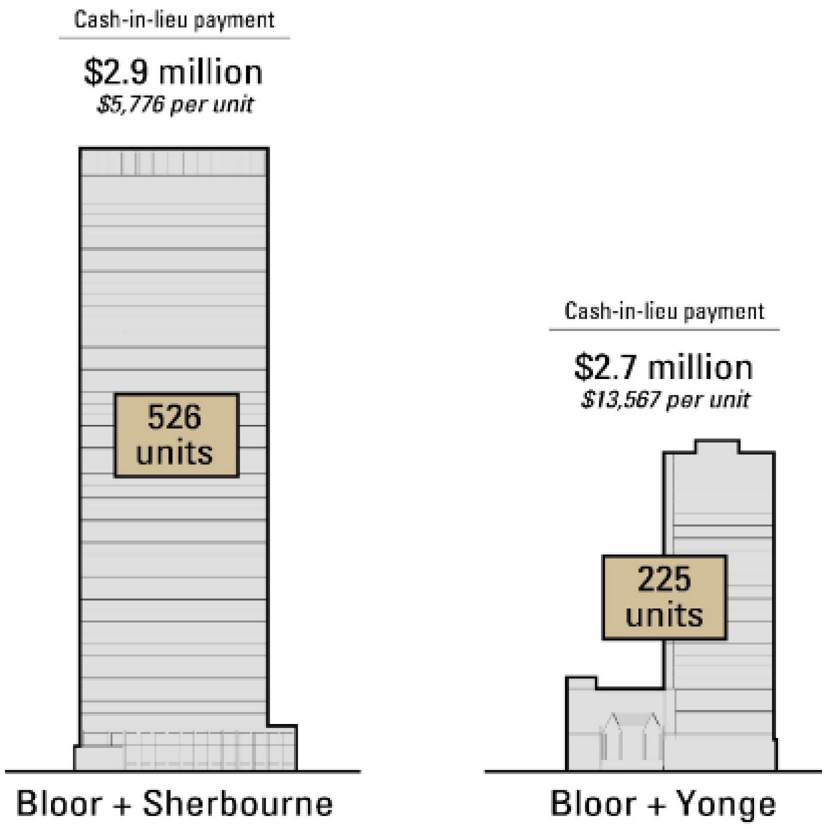
- Small site caps on small sites result in small parks. Small parks can be effective, but there is a **need for larger parks** that can be programmed more effectively.




**Denser developments often contribute less parkland per person than smaller developments because of dedication caps**

# Current Challenges: Cash-in-lieu

- The City must **pool Cash-in-Lieu from multiple developments** over time to secure enough funds to purchase parkland.
- In Toronto's hot real estate market, **increasing land prices are outpacing the City's ability** to make effective use of the cash-in-lieu of parkland it receives.
- The City is at a **disadvantage when competing with private buyers** for land, who have fewer regulatory constraints and more options for financing.
- Cash-in-Lieu does not reflect the **true cost of delivering parkland**, which may include demolition, remediation and design work.




**Caps on parkland dedication result in limitations on parkland funding needed to support growth**

# New Alternative Parkland Dedication Rate

**A new alternative rate will:**

- ✓ Address existing challenges with the current alternative parkland dedication rate
- ✓ Be based on growth pressure created by new development
- ✓ Be responsive to different types of development density (one size does not fit all)
- ✓ Be responsive to future market conditions to ensure development is feasible
- ✓ Be sensitive to development economics
- ✓ Deliver reasonable on-site parkland for various building typologies (low, mid and high density)
- ✓ Balance with the other growth funding tools (DC and CBC)
- ✓ Be clear and implementable / not overly complex



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# Potential Rate Model Approaches

Several rate model approaches are being tested. These models all use the existing alternative parkland dedication rate but **differ in how rate caps (i.e. the maximum % of site area dedicated as parkland) are applied**.

**Static Cap:**

- Applies a flat rate cap to all residential development regardless of density.

**Step-up Model:**

- Applies different rate caps based on defined density categories. The caps increase at specific density thresholds (i.e. the cap "steps up" at defined densities) .

**Blended Model:**

- Similar to the step-up model, but applies increased rate caps to the amount of building area of an individual project within specific density bands (i.e. the caps are "blended" within an individual development)

**Density-Responsive Model**

- Applies a baseline rate cap for developments under a specific density threshold and then caps increase incrementally as density increases until a maximum cap is reached.

# Next steps

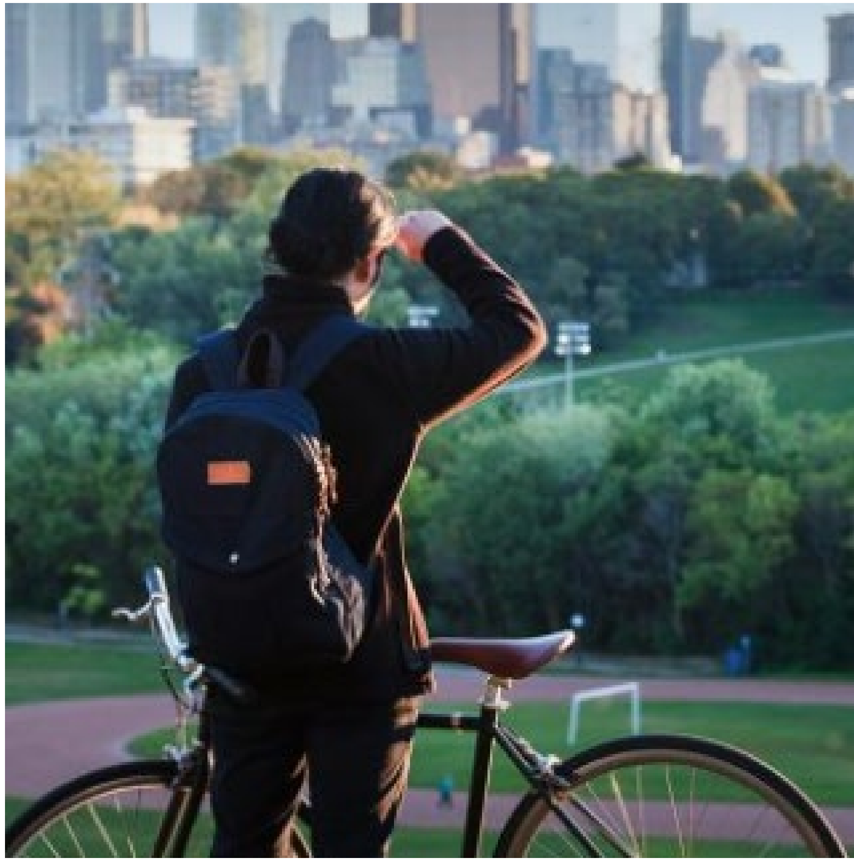
- New alternative parkland dedication rate will seek to **address challenges** with current approach

- Parkland Strategy's **parkland provision analyses are being updated** to reflect newly secure parks and enhancements to mapping

- Impact testing will consider cumulative impact of the three growth funding tools to **assess economic feasibility**

- Alternative parkland dedication rate will be **calibrated with the other two tools** to ensure they all work together effectively

- Further **industry and public consultation** on the alternative parkland dedicate rate and other growth funding tools





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# Community Benefits Charges

# Community Benefits Charges

## Monies, or in-kind work, collected from developers to pay for growth related capital facilities and services.

- No prescribed list of eligible services
  - To be identified in CBC Strategy

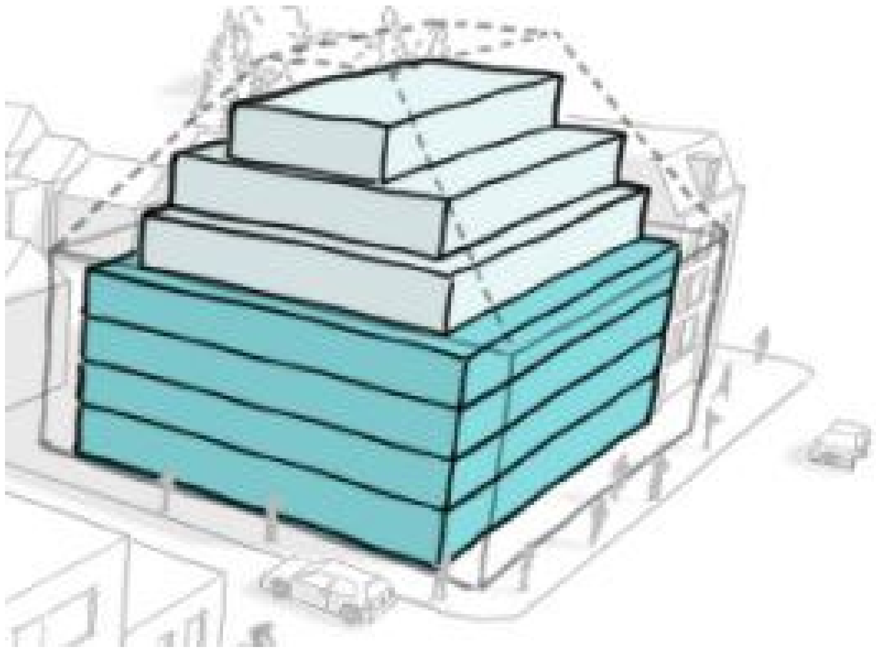
- Initial considerations
  - Services currently funded under s.37
  - Housing
  - Parkland development
  - Active transportation
  - Eligible & ineligible DC services (no overlap with DCs)
  - Public art and public realm
  - Other services






# History

- Formerly Section 37 density bonus benefit.
- An amount negotiated between the City and the Developer in exchange for more height and density (i.e., a taller building with more units than would otherwise be allowable).
- No set cap on value. Amount of the required payment was based on the increase in value resulting from new density or height.





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# Legislative Overview

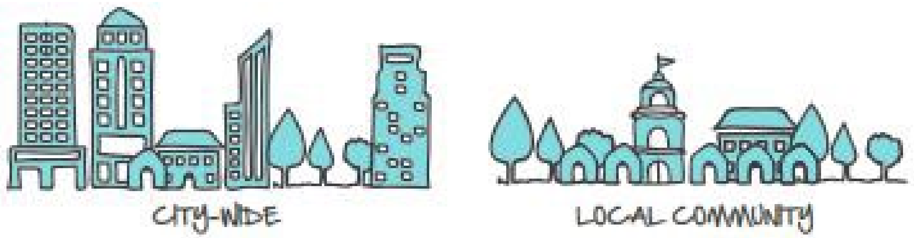
- Imposed by by-law (no term limit)
- Supported by Community Benefit Strategy (O.Reg 509/20)
- Can only be levied against development / redevelopment that is:
  - 5 or more storeys, &
  - 10 or more residential units
- Legislation does not prescribe CBC rate structure
- In kind works can be provided but then valued and credit against charge provided
- In each calendar year, 60% of fund is to be allocated or spent
- CBCs will work in partnership with Development Charges

CBC payable in any particular case cannot exceed **4%** of land value as of the day before a building permit is issued

# What do we still need to sort out?

**Questions:**

- What services and facilities will be eligible?
- How should the funds be allocated to eligible services?
- Implementation questions? City processes, land valuation, tracking expenditures and allocations, etc.



# Questions?

# Workshop Activity

# Toronto is growing …

Toronto is growing. In order to support that growth, we need to plan how this growth will be funded. Imagine Toronto in 30 years with a population of over **3.65 million**. What services do residents and businesses need? How will we pay for the growth infrastructure?

Two scenarios to consider …

# Scenario 1: High-growth neighbourhood

- Community centre
- Library
- Childcare space
- Water & wastewater
- Roads
- Transit
- Parks
- Public art

**Context:** High-growth neighbourhoods are dynamic communities where growth happens quickly and over a sustained period of time, putting pressure not only on existing services but on the provision of future services to support local residents' quality of life. All that growth creates a challenge insofar as there is less and less physical space and more and more technical complexity in delivering needed infrastructure and services.

**Discussion:** Using the knowledge provided by City staff in the presentation and based on your organization's expertise and background, how can the City more effectively use the tools at its disposal to maintain the wellbeing of rapidly growing communities?

# Scenario 2: Stable (low-growth) neighbourhood

- Infill housing
- Transit connections
- New public space
- Stormwater management

**Context:** Low-growth neighbourhoods are also affected by growth in Toronto because we all share City services. Infrastructure isn't localized to areas experiencing growth: parks, roads, stormwater management, transit, and other infrastructure forms a larger system with city-wide considerations.

**Discussion:** Recognizing that growth affects city-wide network services like parks, roads, and transit, to what extent should low-growth neighbourhoods be supported through the funding generated by these growth-related tools? To what extent should growth pay for communities that are not growing, or not permitted to grow under the City’s Official Plan and other policies informing growth?

# Workshop Questions

1. How have you or your organization’s clients been impacted (positively or negatively) by the pace and scale of growth in the City?

2. As Toronto grows, which municipal services are most important to your organization and clients?

3. Setting rates for growth funding tools is complex. Many factors, such as service levels, infrastructure timing and development feasibility, must be considered and balanced. From your perspective, what is important when considering how to fund new growth?

# Keep in touch


- Email your questions or feedback to the project team: **GFT@toronto.ca**
- Learn more on the City's website: **toronto.ca/growthfundingtools**

# Thank you!