



## **Staff Report for Council Meeting**

**Date of Meeting:** December 9, 2020

**Report Number:** SRCFS.20.023

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** SRCFS.20.023 - Proposed Amendments to the Heathwood Homes (Rothbury) Limited Subdivision Agreement (19T-97003) and Jaycrest Developments Inc. Subdivision Agreement (19T-85095) with respect to the Development Charges Provisions

---

### **Purpose:**

To request that Council authorize an amendment of the subdivision agreements with Heathwood Homes (Rothbury) Limited (19T-97003), and Jaycrest Developments Inc. (19T-85095) to facilitate City contributions (funded by development charges) for the oversized services that the developers provided.

### **Recommendation(s):**

- a) That upon the written recommendation of the City Treasurer, the Mayor and Clerk be authorized to execute an amending agreement to the Heathwood Homes (Rothbury) Limited Subdivision Agreement (19T-07003) to facilitate a City contribution towards development charge services in the amount of \$477,886.
- b) That upon the written recommendation of the City Treasurer, the Mayor and Clerk be authorized to execute an amending agreement to the Jaycrest Developments Inc. Subdivision Agreement (19T-85095) to facilitate a City contribution towards development charge services in the amount of \$208,065.

### **Contact Person:**

Gigi Li, Manager, Manager Fiscal Planning & Strategy, Corporate and Financial Services, Extension 6435

## **Page 2**

Ilan Treiger, Financial Management Advisor, Long Range Financial Planning & Policy,  
Extension 2415

### **Report Approval:**

**Submitted by:** Sherry Adams, Commissioner of Corporate and Financial Services

**Approved by:** Mary-Anne Dempster, City Manager

All reports are electronically reviewed and/or approved by the Division Director,  
Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager.  
Details of the reports approval are attached.

## **Page 3**

### **Background:**

In order for a new subdivision or site plan to be developed, it is often a requirement that certain public works have to be constructed to allow the development to commence. In some cases, a developer may carry out the construction of public works to advance the infrastructure necessary for private development to proceed. Where feasible, the City will allow the developer to perform work that relates to a service in the Development Charges By-laws and agree to give a credit towards the works. These credits would be used to reduce the amount of development charges to be paid by the developer. Development charge credits occur when the costs of these works exceed the development charges payable. These excess development charge credits would normally be recovered from others who eventually build in that same development area i.e. other benefiting developers.

When a developer carries forward “excess credits”, the responsibility for finding a mechanism to relieve those credits in the future lies with the developer. There are essentially two mechanisms:

- a. Acquire additional lands within the applicable development area; or
- b. Find another land owner within the applicable development area and assign or transfer credits to that owner.

Where developers carry forward excess credits and they do not have any other lands within the applicable development area (the first mechanism above), it is the preference of the City that they use credit transfer agreements (the second mechanism above). This is usually effective in satisfying both the front-ender and other developers, and also results in the City not receiving development charge monies and the development charge reserve fund not accumulating funds. Nevertheless, the timing of future developments often impacts when these credits are relieved. Some developers have expressed concerns that they hold significant excess credits for potentially long periods of time.

If, for whatever reason, a development charge reserve fund does accumulate funds, it is the City's practice to make contributions towards future development charge services as part of agreements entered into for those services. However, this does not function to reduce any “excess credits” already carried forward by developers which have already entered into agreements. Those must utilize the two mechanisms set above.

### **Development Charge Excess Credit in the Elgin West Area Specific Development Charges Area**

Heathwood Homes (Rothbury) Limited developed the lands within 65M-4205 in 2011 and, in doing so, provided creditable services for the oversized works (storm ponds/road construction) covered by the Elgin West Area Specific Development Charges By-law No. 45-19 (Elgin West). The total agreed-upon costs of these creditable services (\$4,889,750) exceeded the development charges of \$1,065,624.55, payable by the developer.

## **Page 4**

At the time of execution of the subdivision agreement, the City had funds in the applicable Development Charges reserve, and therefore agreed to contribute the amount of \$154,495; this was (at the time of drafting the agreement), the total sum in that reserve. This still left an “excess credit” carried forward in the amount of \$3,669,630.45.

Excess credits represent public works put in place by developers to advance the infrastructure necessary for private development to proceed. These are indexed annually by the construction price index in the same manner as the City’s development charge rates. So far, the City has been relatively successful in facilitating transfers of credits to Heathwood, including the most recent transfer on December 23, 2019 for a total of \$422,282.04. The current balance in “excess credits” is \$477,886, reflecting the annual indexing of the credit.

In addition, Jaycrest Developments Inc. (previously Feldbar Construction Company Limited) (“Jaycrest”) has also been carrying excess credits in the Elgin West development area since 1998. Given previous credit transfer agreements facilitated by the City between Jaycrest and other developers, the current balance in “excess credits” is \$208,065, reflecting the annual indexing of the credit.

The total outstanding excess credits for the Elgin West Area Specific Development Area is \$685,951 as of November 16, 2020.

Both developers have made requests for release of their respective excess credits, given completion of developments in the Elgin West Area Specific Development Charges.

### **Analysis on Releasing Excess Credits**

As of November 30, 2020 Elgin West Area Specific Development Charges has 6.404 hectares of net developable area, and includes \$572,515 of oversizing/growth related services comprised of: collector roads, watermains and appurtenances, storm sewers and appurtenances. While there are development charge services yet to be constructed in the area, it is the practice and the intention of the City that future developers construct those services. Furthermore, there is no mandatory (boundary road) cost component remaining that will be payable to the City in the Elgin West ASDC.

As a result of the development progress in the area in the past several years, the net developable area has significantly decreased, with 6.404 hectares remaining and spread across many small parcels of land. Hence, the outstanding growth related services described above will likely take an extended time to be completed, depending on the timing of development in the remaining developable area. Due to these circumstances the outstanding Development Charges credits due to Jaycrest and Heathwood are stranded until substantially all of the developable area is developed.

## **Page 5**

Currently, the Elgin West ASDC reserve has sufficient balance to make a City contribution payment to resolve the excess credits, with a total reserve balance of \$781,199.82. While staff do not recommend repayment of credit carry-forwards as a standard practice, it is reasonable in this situation to allow for these City contributions for the reasons as set out above.

### **Financial/Staffing/Other Implications:**

Given that these funds are generated from development charges and that there would appear to be sufficient development charges in the reserve fund, there is no direct financial impact upon the City.

### **Relationship to the Strategic Plan:**

Proceeding in the manner recommended by this report reflects the goal of wise management of resources in the City of Richmond Hill.

### **Conclusion:**

This report provides an overview of the development charge excess credit in the Elgin West Area Specific Development Charge area. It is reasonable and in the best interest of all parties to provide for amendments to the subdivision agreements to facilitate City contribution payments in the amount of \$477,886 to be made to Heathwood Homes (Rothbury) Limited., and \$208,065 to be made to Jaycrest Developments Inc. to resolve the excess credits.

## Page 6

### Report Approval Details

Document Title:	SRCFS.20.023 - Proposed Amendments to the Heathwood Homes Limited and Jaycrest Developments Inc. Subdivision Agreements.docx
Attachments:	
Final Approval Date:	Nov 30, 2020

This report and all of its attachments were approved and signed as outlined below:

**David Dexter - Nov 26, 2020 - 3:16 PM**

**Sherry Adams - Nov 26, 2020 - 4:31 PM**

**MaryAnne Dempster - Nov 30, 2020 - 12:07 PM**