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Unspent municipal reserves affect livability, affordability

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OPINION

A few weeks ago, I wrote about the impact of the large reserves that many GTA municipalities accumulate from the revenues they collect on new housing, which are meant to fund growth-related infrastructure and services.

When the money is not spent in a timely manner, its effectiveness is undermined due to inflation while residents are deprived of the infrastructure and services that have been paid for by new development. Unspent reserves can also hinder the building of new housing as communities must wait for much-needed infrastructure.

Now, thanks to a new study by Altus Group, we can quantify the size of municipal reserves for development charges, parkland charges and Section 37 — or community benefit — charges in the GTA. The study, "New Homeowner Money in the Government's Bank: How Unspent Municipal Reserves Are Impacting Building Livable, Affordable Communities in the GTA," reviews trends in the collection and usage of various government housing charges in the GTA. The study examined 16 GTA municipalities and found they have accumulated over $5 billion in reserves over the last decade.

Development charges are levied on new homes and commercial spaces to help the municipality pay for growth-related infrastructure and services. For the 2013-19 period, the studied municipalities saw their combined development charge (DC) reserve fund balances increase to $3.25 billion as of 2019, an increase of $1.35 billion from 2013. The City of Toronto was responsible for the majority of the increase and its reserve fund balance rose by $839 million over that time period. Durham Region amassed $695 million and the City of Vaughan $482 million over the same period.

Parkland cash-in lieu (CIL) are cash payments imposed on new developments to enable municipalities to acquire parkland and other forms of open space. CIL revenues and expenditures have caused Parkland CIL reserve fund balances to increase by nearly 300 per cent over the 2009-19 period, from $375 million in 2009 to $1.48 billion in 2019. Again, the City of Toronto saw the largest increase at $1.03 billion as of 2019, up 372 per cent or $815 million from 2009. The other major, high-density-oriented municipalities have also amassed significant Parkland CIL reserves: Mississauga, $133 million; Brampton, $98 million; Vaughan, $72 million; and Markham, $59 million.

Section 37 contributions are meant to help municipalities provide community infrastructure in areas that are denser than normally allowed. At the end of 2019, the City of Toronto had a surplus of approximately $303 million in its Section 37 reserve fund, with over 70 per cent of this balance attributed to four wards within downtown Toronto.

With many municipalities across the GTA currently in the process of updating their development charge bylaws and parks policies, and creating a community benefits charge, the costs added on new development are anticipated to increase next year.

These increases will not only affect the prices of new homes, but will also contribute to the already large reserves that municipalities have amassed.

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